

**SCHOOL DISTRICT
OF THE
TOWNSHIP OF DENVILLE**

**Denville Township Board of Education
Denville, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

DENVILLE TOWNSHIP SCHOOL DISTRICT

Denville, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**Denville Township Board of Education
Finance Department**

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INTRODUCTORY SECTION



Denville Township Schools

400 Morris Ave, Suite 279, Denville, New Jersey 07834

Mrs. Damaris Gurowsky
Business Administrator/Board Secretary
Ph. 973-983-6530
Fax: 973-784-4778
dgurowsky@denville.org

September 8, 2017

The Honorable President and Members of
the Board of Education
Denville Township School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Denville Township School District (the "District") for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Denville Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Denville Township School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for classified youngsters with special needs. The District completed the 2016-2017 fiscal year with an enrollment of 1,650 students, which is an increase of 4 students or 0.24% from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

Enrollment numbers for the current year increased slightly from prior years, primarily in the special education. Given the economic environment of the country as a whole, this may continue into the future. The Denville Township School District will continue to be affected by changes in state aid and regulations as it relates to employee salaries and health benefits.

3) MAJOR INITIATIVES:

Math - Budget priority includes updating the Envision Math materials in K-5, and Math texts 6-8. Additional professional development in the areas of modeling and problem solving will be provided. Geometry 1 will be offered to approximately 30 8th grade students.

English Language Arts - Professional development money is budgeted to further the implementation of K-5 Readers/Writers workshop and best practices in grades 6-8 to support the Common Core Standards and ensure PARCC preparation. The priority will be on the word work component of our balanced literacy program.

Science - Funding is provided to adopt the district curriculum that aligns to the National Science Standards, and to support the adoption of new textbooks and materials in grades 6-8.

Technology - Budgetary expenditures to replace computer hardware & no longer supported software are included. The installation of replacement FM systems, Document Cameras and Smartboards continues, along with the adoption of a 1:1 Chromebook initiative in 6th grade. Approximately 300 Chromebooks will be purchased. Work on enhancing the WiFi at the two elementary schools is included in this budget.

Related Arts - Funding will be provided to support the revision of the Music and Art curriculum. Current materials will be reviewed and purchases will be made for any new resources necessary to support the revisions.

Library/Media - Funding will be provided to support the revision of the Library Media guides in grades 6-8. Current materials will be reviewed and purchases will be made for any new resources necessary to support the revisions.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2017.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's statistical section.

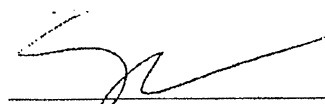
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

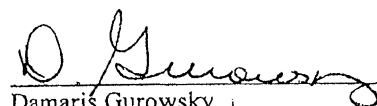
The Honorable President and Members of
the Board of Education
Denville Township School District
Page 4
September 8, 2017

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Denville Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

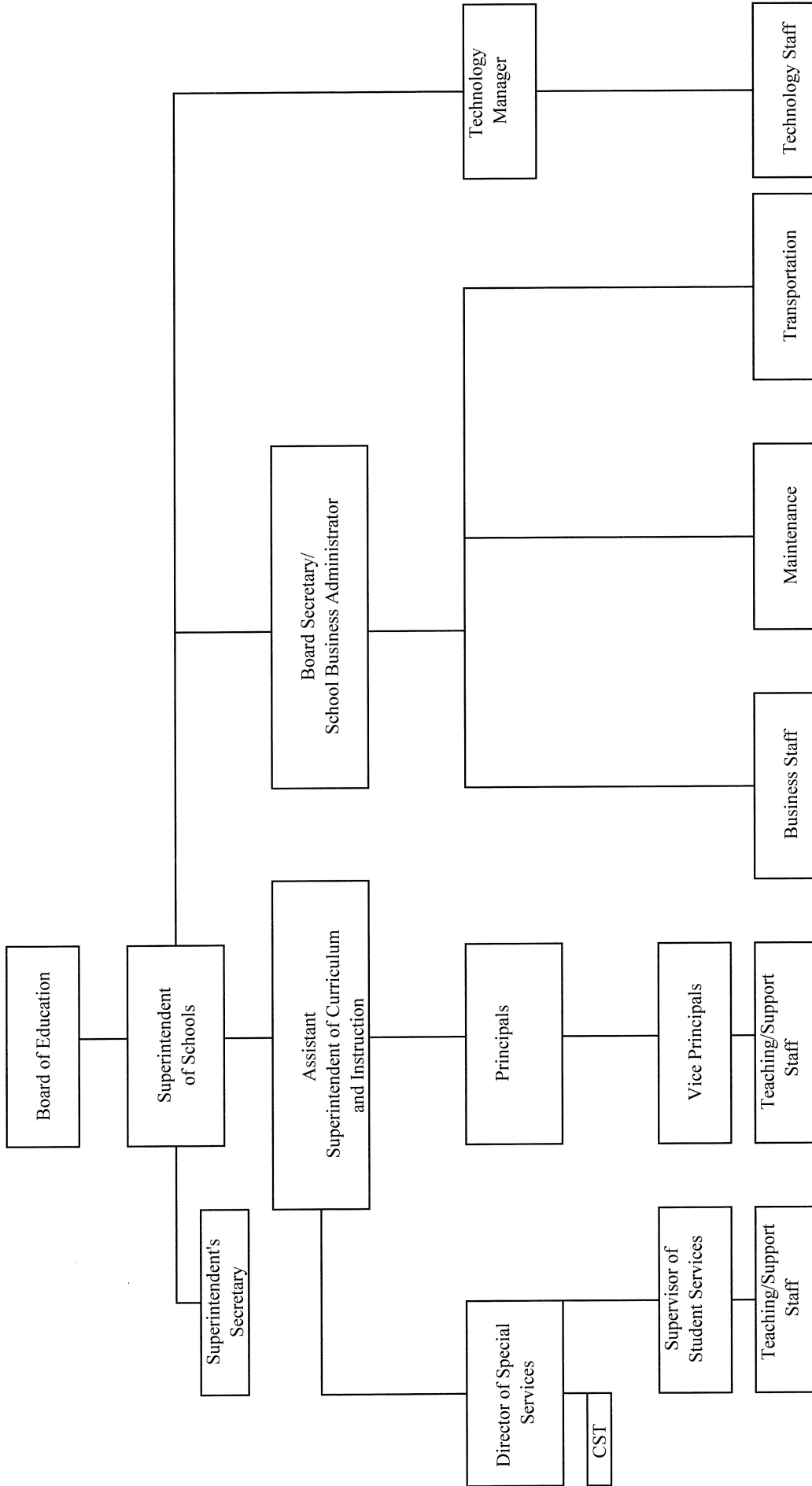


Steven Forte
Superintendent



Damaris Gurowsky
Business Administrator/Board Secretary

DENVILLE TOWNSHIP SCHOOL DISTRICT
Organizational Chart
 (Unit Control)



**DENVILLE TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dino Cappello, President	2018
Michael Andersen, Vice President	2018
Marianna Lindsay	2018
David Luer	2019
Barbara DeLuna	2019
Laura Wagner	2020
Don Casse	2020

<u>Other Officials</u>	<u>Title</u>
Steven Forte	Superintendent of Schools
Damaris Gurowsky	Board Secretary/School Business Administrator
Paula Hatch	Treasurer of School Monies

DENVILLE TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Cleary, Giacobbe, Alfieri, Jacobs, LLC
The Legal Center
1037 Raymond Blvd., Suite 900
Newark, NJ 07102

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Architect

DiCara Rubino Architects
30 Galesi Drive, West Wing
Wayne, NJ 07470

EI Associates
8 Ridgedale Avenue
Cedar Knolls, NJ 07927

Official Depositories

Provident Bank
41 Broadway
Denville, NJ 07834

Bank of America
1125 Route 22 West
Bridgewater, NJ 08807

State of New Jersey Cash Management Fund
Division of Investment
Department of the Treasury
Trenton, NJ 08625

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Denville Township School District
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Denville Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Denville Township School District, in the County of Morris, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Denville Township School District
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The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
September 8, 2017

NISIVOCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**DENVILLE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

This section of the Denville Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status only had a 3% decrease in spite of relatively flat direct state aid for several years and the recognition of an additional \$3.97 million of net pension liability during the year.
- Overall revenue was \$40.07 million on a District Wide basis.
- The District had a reduction in its outstanding serial bonds payable of 37.98 percent due to the retirement of debt.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food service.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.
- The *Notes to the Basic Financial Statements* provide additional information to full understanding of *District-wide* and *fund financial statements*.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of the Denville Township School District's Financial Report**

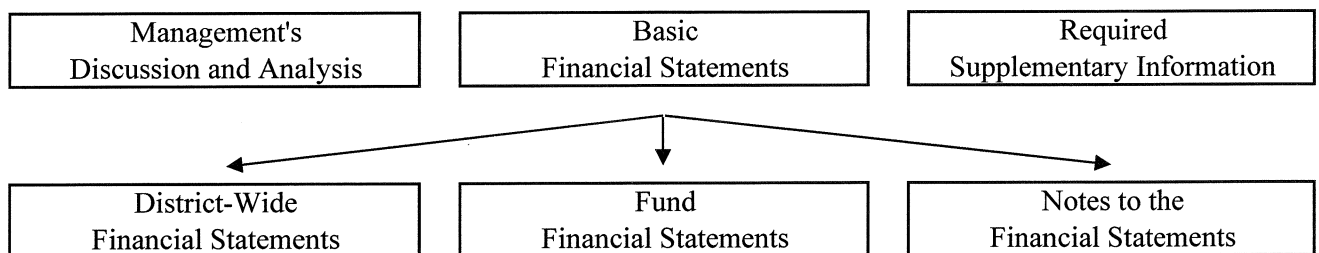


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private business: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: The notes provide basic information that is essential to a full understanding of the data provided in the District-wide and Fund financial statements. Those notes to the basic financial statements can be found immediately following the Fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased by 2.96%. Net position from governmental activities decreased \$225,074 while net position from business-type activities decreased \$1,092. Net investment in capital assets, increased \$1,575,645, restricted net position increased by \$987,337 and unrestricted net position decreased \$2,789,148.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016*	2016/2017	2015/2016	2016/2017	2015/2016*	2016/2017
Current and							
Other Assets	\$ 6,008,630	\$ 6,956,812	\$ 9,941	\$ 3,447	\$ 6,018,571	\$ 6,960,259	-13.53%
Capital Assets, Net	15,044,421	14,078,123	52,898	60,064	15,097,319	14,138,187	6.78%
Total Assets	21,053,051	21,034,935	62,839	63,511	21,115,890	21,098,446	0.08%
Deferred Outflows of Resources	5,022,216	1,879,164			5,022,216	1,879,164	167.26%
Long-Term							
Liabilities	18,034,279	14,709,819			18,034,279	14,709,819	22.60%
Other Liabilities	674,184	435,135	2,162	1,742	676,346	436,877	54.81%
Total Liabilities	18,708,463	15,144,954	2,162	1,742	18,710,625	15,146,696	23.53%
Deferred Inflows of Resources		177,267				177,267	-100.00%
Net Position:							
Net Investment in							
Capital Assets	12,286,161	10,703,350	52,898	60,064	12,339,059	10,763,414	14.64%
Restricted	4,633,333	3,645,996			4,633,333	3,645,996	27.08%
Unrestricted/(Deficit)	(9,552,690)	(6,757,468)	7,779	1,705	(9,544,911)	(6,755,763)	-41.29%
Total Net Position	\$ 7,366,804	\$ 7,591,878	\$ 60,677	\$ 61,769	\$ 7,427,481	\$ 7,653,647	-2.96%

*Restated

Changes in Net Position. The District's combined net position was \$7,427,481 on June 30, 2017, \$226,166 or 2.96% less than it was the year before (See Figure A-3). Net investment in capital assets increased by \$1,575,645 due to the \$510,653 in capital assets additions, \$1,289,846 in construction in process, the payment of \$490,000 in bond principal, and \$218,835 in capital lease principal payments, less \$86,241 in new leases entered into, \$838,244 in depreciation, \$3,123 in net capital asset deletions and the \$6,081 for the amortization on the deferred amount of the refunding. Restricted net position increased by \$987,337 as a result of a decrease in excess surplus of \$271, an increase in the capital reserve account of \$1,377,163 and a decrease in maintenance reserve of \$389,555. Unrestricted net position decreased by \$2,789,148 as a result of normal operations, changes in accrued interest, changes in pension liability and changes in compensated absences payable (See Figure A-3).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
Revenue:							
Program Revenue:							
Charges for Services	\$ 118,287	\$ 169,181	\$ 12,280	\$ 11,820	\$ 130,567	\$ 181,001	-27.86%
Grants and Contributions:							
Operating	10,602,542	8,278,249	19,441	19,450	10,621,983	8,297,699	28.01%
Capital				59,839		59,839	-100.00%
General Revenue:							
Property Taxes	28,787,724	27,678,032			28,787,724	27,678,032	4.01%
Federal and State Aid Not Restricted	198,421	183,290			198,421	183,290	8.26%
Other	325,164	757,826	10,064	13,465	335,228	771,291	-56.54%
Total Revenue	40,032,138	37,066,578	41,785	104,574	40,073,923	37,171,152	7.81%
Expenses:							
Instruction	25,586,518	21,630,913			25,586,518	21,630,913	18.29%
Pupil and Instruction Services	4,823,965	4,518,148			4,823,965	4,518,148	6.77%
Administrative and Business	3,851,403	3,740,261			3,851,403	3,740,261	2.97%
Maintenance and Operations	2,754,553	2,424,721			2,754,553	2,424,721	13.60%
Transportation	2,673,210	2,412,540			2,673,210	2,412,540	10.80%
Other	567,563	738,756	42,877	57,089	610,440	795,845	-23.30%
Total Expenses	40,257,212	35,465,339	42,877	57,089	40,300,089	35,522,428	13.45%
Increase/(Decrease) in Net Position	\$ (225,074)	\$ 1,601,239	\$ (1,092)	\$ 47,485	\$ (226,166)	\$ 1,648,724	-113.72%

Revenue Sources. The District's total revenue for the 2016/2017 school year was \$40,073,923 (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$28,787,724 of the total, or 71.83 percent (See Figure A-5). State formula aid and categorical grants accounted for 27.00 percent and the remainder was from other miscellaneous sources. The Denville Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

Figure A-5
Sources of Revenue for Fiscal Year 2017

Sources of Income:	<u>Amount</u>	<u>Percentage</u>
State Formula Aid	\$ 1,467,419	3.66%
Property Taxes	28,787,724	71.83%
Federal and State Categorical Grants	9,352,985	23.34%
Charges for Services	130,567	0.33%
Other	335,228	0.84%
	<u>\$ 40,073,923</u>	<u>100.00%</u>

The total cost of all programs and services was \$40,300,089. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (82.09 percent) (See Figure A-6). The District's administrative and maintenance activities accounted for 16.40 percent of total costs. It is important to note that depreciation of \$834,201 is included in other expenses for the year.

Figure A-6
Expenses for Fiscal Year 2017

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 25,586,518	63.49%
Pupil and Instruction Services	4,823,965	11.97%
Administrative and Business	3,851,403	9.56%
Maintenance and Operations	2,754,553	6.84%
Transportation	2,673,210	6.63%
Other	610,440	1.51%
	<u>\$ 40,300,089</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has been consistent. Maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because state aid has remained relatively flat over the past few years, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenditures carefully, since any proposed increase to the school district budget will be funded entirely through property taxes.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 25,586,518	\$ 21,630,913	\$ 15,077,546	\$ 13,383,959
Pupil and Instruction Services	4,823,965	4,518,148	4,823,965	4,518,148
Administrative and Business	3,851,403	3,740,261	3,651,030	3,558,229
Maintenance and Operations	2,754,553	2,424,721	2,754,553	2,424,721
Transportation	2,673,210	2,412,540	2,661,726	2,394,096
Other	567,563	738,756	528,519	738,756
	<u>\$ 40,257,212</u>	<u>\$ 35,465,339</u>	<u>\$ 29,497,339</u>	<u>\$ 27,017,909</u>

- The cost of all governmental activities this year was \$40.26 million.
- The federal and state governments subsidized certain programs with grants and contributions
- Most of the District’s costs, however, were financed by District taxpayers (\$28.79 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula.
- The remainder of governmental activities funding came from charges for services, local grants, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District’s business-type activities, food service, decreased by \$1,092 due to normal expenses exceeding revenues for the year due to an increase in the cost of sales. (Refer to Figure A-4).

Financial Analysis of the District’s Funds

The District’s General Fund financial status improved as Capital Projects Fund decreased \$1.289 million despite difficult economic times which have had a direct impact upon the District’s revenue sources. Interest from investments remained unfavorable as compared to years past. Ratables of the Municipality decreased last year, thus generating concern for the local tax levy in the future.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into the following category:

- Changes made within budgetary line items were in school-based needs for programs, textbooks, and teachers’ salaries, increased utilities costs and legal and other professional services.

Capital Asset and Long Term Liabilities

**Figure A-8
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016*	2016/2017	2015/2016	2016/2017	2015/2016*	2016/2017
Land	\$ 105,150	\$ 105,150			\$ 105,150	\$ 105,150	0.00%
Construction in Progress	1,887,975	598,129			1,887,975	598,129	215.65%
Buildings and Building Improvements	11,809,036	12,403,641			11,809,036	12,403,641	-4.79%
Machinery and Equipment	1,242,260	971,203	\$ 52,898	\$ 60,064	1,295,158	1,031,267	25.59%
Total Capital Assets, Net of Depreciation	<u>\$ 15,044,421</u>	<u>\$ 14,078,123</u>	<u>\$ 52,898</u>	<u>\$ 60,064</u>	<u>\$ 15,097,319</u>	<u>\$ 14,138,187</u>	<u>6.78%</u>

*Restated

The District’s overall capital assets decreased due to a capital asset adjustment. (More detailed information about the District’s capital assets is presented in Note 7 to the financial statements.)

Long-term Liabilities

At year-end, the District had \$800,000 in general obligation bonds – a reduction of \$490,000 from last year – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-9
Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017
General Obligation Bonds, (Financed with Property Taxes)	\$ 800,000	\$ 1,290,000	-37.98%
Net Pension Liability	15,001,565	11,025,378	36.06%
Other Long-Term Liabilities	2,232,714	2,394,441	-6.75%
	<u>\$ 18,034,279</u>	<u>\$ 14,709,819</u>	<u>22.60%</u>

- The District continued to pay down its debt, retiring \$490,000 of outstanding bonds.
- Net Pension Liability increased by \$3,976,187.
- The District’s other long-term liabilities increased as a result of the repayment of capital leases and the decrease in compensated absence liability, offset by the issuance of new capital leases.

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was aware of five existing circumstances that could significantly affect its financial health in the future:

- Changes in regulations by the State of New Jersey, inclusive of limits on revenues and fluctuations in aid, will affect the services offered to the students of the Denville Township School District.
- Maintenance issues within the schools will continue to be a concern for the District. The District will have to dedicate its financial resources towards solving major capital issues within the schools.
- Readiness for Partnership for Assessment of Readiness for College and Careers (PARCC) testing continues to require investment in technology.
- Alignment to the Common Core ELA & Math Standards will require additional professional development expenses and purchase of supporting teacher resources.
- State adoption of the Next Generation of Science Standards will require alignment of curriculum, additional teacher professional development, and purchase of new student science textbooks and/or inquiry kits.
- The Denville Board of Education has adopted a strategic curriculum plan to regularly review and update subject area curriculum. Some funding is needed to compensate staff for participation in curriculum review and writing committees. Social Studies materials will be purchased for the 2017-2018 school year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 400 Morris Avenue, Suite 279, Denville, New Jersey 07834.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,326,718	\$ 6,148	\$ 2,332,866
Internal Balances	2,085		2,085
Receivables from Other Governments	299,391	3,793	303,184
Receivables - Other	117,643		117,643
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	2,309,429		2,309,429
Maintenance Reserve - Cash and Cash Equivalents	953,364		953,364
Capital Assets:			
Sites (Land)	105,150		105,150
Construction in Progress	1,887,975		1,887,975
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,051,296	52,898	13,104,194
Total Assets	<u>21,053,051</u>	<u>62,839</u>	<u>21,115,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on the Refunding	12,165		12,165
District Contribution Subsequent to the Measurement Date - Pensions	477,959		477,959
Changes in Assumptions - Pensions	3,107,523		3,107,523
Changes in Proportions - Pensions	573,562		573,562
Difference Between Expected and Actual Experience - Pensions	278,984		278,984
Net Difference Between Projected and Actual Investment			
Earnings on Pension Plan Investments - Pensions	572,023		572,023
Total Deferred Outflows of Resources	<u>5,022,216</u>		<u>5,022,216</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	629,637	2,162	631,799
Accrued Interest Payable	12,000		12,000
Payable to State Government	9,471		9,471
Unearned Revenue	21,867		21,867
Noncurrent Liabilities:			
Due Within One Year	743,324		743,324
Due Beyond one Year	17,290,955		17,290,955
Total Liabilities	<u>18,708,463</u>	<u>2,162</u>	<u>18,710,625</u>
NET POSITION			
Net Investment in Capital Assets	12,286,161	52,898	12,339,059
Restricted for:			
Capital Projects	2,309,429		2,309,429
Debt Service	1		1
Maintenance Reserve Account	953,364		953,364
Excess Surplus	300,000		300,000
Excess Surplus - Designated for Subsequent Year's Expenditures	1,070,539		1,070,539
Unrestricted/(Deficit)	<u>(9,552,690)</u>	<u>7,779</u>	<u>(9,544,911)</u>
Total Net Position	<u>\$ 7,366,804</u>	<u>\$ 60,677</u>	<u>\$ 7,427,481</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 18,115,297	\$ 118,287	\$ 8,118,619		\$ (9,878,391)		\$ (9,878,391)
Special Education	6,411,745		2,135,425		(4,276,320)		(4,276,320)
Other Special Instruction	691,902		91,461		(600,441)		(600,441)
Other Instruction	367,574		45,180		(322,394)		(322,394)
Support Services:							
Tuition	713,191				(713,191)		(713,191)
Student & Instruction Related Services	4,110,774				(4,110,774)		(4,110,774)
General Administrative Services	837,242				(837,242)		(837,242)
School Administrative Services	2,119,772		200,373		(1,919,399)		(1,919,399)
Central Services	477,381				(477,381)		(477,381)
Administration Information Technology	417,008				(417,008)		(417,008)
Plant Operations and Maintenance	2,754,553				(2,754,553)		(2,754,553)
Pupil Transportation	2,673,210		11,484		(2,661,726)		(2,661,726)
Allocated Benefits							
Transfer to Charter Schools	85,768				(85,768)		(85,768)
Interest on Long-Term Debt	33,701				(33,701)		(33,701)
Capital Outlay	409,050				(409,050)		(409,050)
Total Governmental Activities	40,218,168	118,287	10,602,542		(29,497,339)		(29,497,339)

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 39,754	\$ 12,280	\$ 19,441		\$ (8,033)	\$ (8,033)	\$ (8,033)
Total Business-Type Activities	39,754	12,280	19,441		(8,033)	(8,033)	(8,033)
Total Primary Government	\$ 40,257,922	\$ 130,567	\$ 10,621,983	\$ -0-	\$ (29,497,339)	(8,033)	(29,505,372)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					28,390,548		28,390,548
Taxes Levied for Debt Service					397,176		397,176
Federal and State Aid not Restricted					198,421		198,421
Interest and Unrestricted Miscellaneous Revenue					258,113	64	258,177
Restricted Miscellaneous Revenue					67,051		67,051
Transfers					(39,044)	10,000	(29,044)
Total General Revenues and Transfers					29,272,265	10,064	29,282,329
Change in Net Position Prior to Capital Disposals, Net of Depreciation					(225,074)	2,031	(223,043)
Capital Disposals, Net of Depreciation						(3,123)	(3,123)
Change in Net Position					(225,074)	(1,092)	(226,166)
Net Position - Beginning (Restated)					7,591,878	61,769	7,653,647
Net Position - Ending					\$ 7,366,804	\$ 60,677	\$ 7,427,481

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

DENVILLE TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,300,109	\$ 26,608		\$ 1	\$ 2,326,718
Interfund Receivables	3,845				3,845
Receivables from State Government	295,827				295,827
Receivables from Federal Government		3,564			3,564
Lease Purchase Proceeds Receivable			\$ 48,350		48,350
Other Accounts Receivable	69,293				69,293
Restricted Cash and Cash Equivalents	3,262,793				3,262,793
Total Assets	\$ 5,931,867	\$ 30,172	\$ 48,350	\$ 1	\$ 6,010,390
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	\$ 108,416	\$ 4,125	\$ 39,137		\$ 151,678
Interfund Payable			1,760		1,760
Payable to Federal Government		1,209			1,209
Payable to State Government		9,471			9,471
Unearned Revenue	6,500	15,367			21,867
Total Liabilities	114,916	30,172	40,897		185,985
Fund Balances:					
Restricted:					
Capital Reserve Account	2,309,429				2,309,429
Maintenance Reserve Account	953,364				953,364
Excess Surplus	300,000				300,000
Excess Surplus - Designated for Subsequent Year's Expenditures	1,070,539				1,070,539
Debt Service				\$ 1	1
Committed:					
Capital Projects Fund			7,453		7,453
Assigned:					
Year-End Encumbrances	585,151				585,151

DENVILLE TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances (Cont'd):					
Unassigned:					
General Fund	\$ 598,468				\$ 598,468
Total Fund Balances	<u>5,816,951</u>		<u>7,453</u>	<u>1</u>	<u>5,824,405</u>
Total Liabilities and Fund Balances	<u>\$ 5,931,867</u>	<u>\$ 30,172</u>	<u>\$ 48,350</u>	<u>\$ 1</u>	

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) is Different Because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the Funds.
The cost of the assets is \$30,361,000 and the accumulated depreciation is \$14,153,16,579.

Interest on Long-Term Debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (12,000)

The deferred amount on a bond refunding is not reported as an expenditure in the governmental funds in the year of the expenditure. 12,165

Bond issuance Premiums are reported as revenue in the governmental funds in the year the bonds are sold. (33,264)

The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds (15,001,565)

Certain amounts related to the Net Pension Liability and Deferred and Amortized in the Statement of Actives are not reported in the Governmental Funds:

Changes in Assumptions - Pensions	3,107,523
Changes in Proportions - Pensions	573,562
Difference Between Expected and Actual Experience - Pensions	278,984
Investment Gains - Pensions	572,023

Long-Term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 8) (2,999,450)

Net Position of Governmental Activities \$ 7,366,804

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 28,390,548			\$ 397,176	\$ 28,787,724
Tuition	118,287				118,287
Interest on Capital Reserve Funds	100				100
Other Restricted Miscellaneous	67,051				67,051
Unrestricted Miscellaneous	256,253	\$ 3,233	\$ 1,760		261,246
Total - Local Sources	28,832,239	3,233	1,760	397,176	29,234,408
State Sources	4,610,021	83,633		144,424	4,838,078
Federal Sources	4,567	482,712			487,279
Total Revenues	33,446,827	569,578	1,760	541,600	34,559,765
EXPENDITURES					
Current:					
Regular Instruction	8,660,805	471,889			9,132,694
Special Education Instruction	3,296,383	97,689			3,394,072
Other Special Instruction	320,143				320,143
Other Instruction	183,934				183,934
Support Services and Undistributed Costs:					
Tuition	713,191				713,191
Student & Instruction Related Services	3,185,758				3,185,758
General Administrative Services	603,288				603,288
School Administrative Services	1,098,689				1,098,689
Central Services	326,221				326,221
Administration Information Technology	293,970				293,970
Plant Operations and Maintenance	2,122,614				2,122,614
Pupil Transportation	1,536,640				1,536,640
Allocated and Unallocated Benefits	9,114,694				9,114,694

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Debt Service:					
Principal				\$ 490,000	\$ 490,000
Interest and Other Charges				51,600	51,600
Capital Outlay	\$ 1,430,356		\$ 1,289,846		2,720,202
Transfer of Funds to Charter Schools	85,768				85,768
Total Expenditures	<u>32,972,454</u>	<u>\$ 569,578</u>	<u>1,289,846</u>	<u>541,600</u>	<u>35,373,478</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	474,373	-0-	(1,288,086)	-0-	(813,713)
OTHER FINANCING SOURCES/(USES)					
Capital Leases (non-budgeted)	86,241				86,241
Transfers In/(Out)	<u>(37,284)</u>		<u>(1,760)</u>		<u>(39,044)</u>
Total Other Financing Sources/(Uses)	<u>48,957</u>	<u>-0-</u>	<u>(1,760)</u>	<u>-0-</u>	<u>47,197</u>
Net Change in Fund Balances	523,330		(1,289,846)		(766,516)
Fund Balance—July 1	5,293,621	-0-	1,297,299	1	6,590,921
Fund Balance—June 30	<u>\$ 5,816,951</u>	<u>\$ -0-</u>	<u>\$ 7,453</u>	<u>\$ 1</u>	<u>\$ 5,824,405</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ (766,516)						
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:							
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation expense</td> <td style="width: 20%; text-align: right;">\$ (834,201)</td> </tr> <tr> <td>Capital outlays</td> <td style="text-align: right;"><u>1,800,499</u></td> </tr> <tr> <td></td> <td style="text-align: right;">966,298</td> </tr> </table>	Depreciation expense	\$ (834,201)	Capital outlays	<u>1,800,499</u>		966,298
Depreciation expense	\$ (834,201)						
Capital outlays	<u>1,800,499</u>						
	966,298						
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	490,000						
Also, the governmental funds report the effect of the deferred amount on a refunding relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.	(6,081)						
Finally, the governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	16,630						
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	7,350						
Capital leases are an other financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position.	(86,241)						
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	218,835						
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the statement of net position.	(3,976,187)						
Change in Net Pension Liability	1,923,485						
Deferred Outflows:	159,709						
Changes in Assumptions	15,957						
Changes in Proportion	749,290						
Difference Between Expected and Actual Experience - Pensions							
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments							
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	62,397						
Change in Net Position of Governmental Activities (A-2)	<u>\$ (225,074)</u>						

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 6,148
Accounts Receivable:	
Federal	<u>3,793</u>
Total Current Assets	<u>9,941</u>
Non-Current Assets:	
Capital Assets	65,786
Less: Accumulated Depreciation	<u>(12,888)</u>
Total Non-Current Assets	<u>52,898</u>
Total Assets	<u>62,839</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	<u>2,162</u>
Total Current Liabilities	<u>2,162</u>
Total Liabilities	<u>2,162</u>
NET POSITION:	
Investment in Capital Assets	52,898
Unrestricted	<u>7,779</u>
Total Net Position	<u><u>\$ 60,677</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Fund Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 12,280
Total Operating Revenue	12,280
Operating Expenses:	
Cost of Sales - Reimbursable Programs	35,067
Salaries, Benefits and Payroll Taxes	583
Depreciation	4,043
Miscellaneous Expenses	61
Total Operating Expenses	39,754
Operating (Loss)	(27,474)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	19,441
Local Sources:	
Interest Revenue	64
Total Non-Operating Revenue	19,505
Change in Net Position Before Transfers and Capital Contributions	(7,969)
Transfer - General Fund	10,000
Capital Adjustment	(3,123)
Change in Net Position After Transfer and Capital Contributions	(1,092)
Net Position - Beginning of Year	61,769
Net Position - End of Year	\$ 60,677

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,280
Payments to Suppliers	<u>(35,292)</u>
Net Cash (Used for) Operating Activities	<u>(23,012)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>64</u>
Net Cash Provided by Investing Activities	<u>64</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources - Special Milk Program	18,878
Transfer - General Fund	<u>10,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>28,878</u>
Net Increase in Cash and Cash Equivalents	5,930
Cash and Cash Equivalents, July 1	<u>218</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 6,148</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (27,474)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation	4,043
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>419</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (23,012)</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 35,961	\$ 23,706	\$ 161,322
Total Assets	<u>35,961</u>	<u>23,706</u>	<u>161,322</u>
LIABILITIES:			
Interfund Payable - General Fund	2,085		
Due to Student Groups	<u>33,876</u>		
Total Liabilities	<u>35,961</u>		
NET POSITION:			
Held in Trust for Unemployment Claims			161,322
Held in Trust for Flexible Spending Claims		<u>23,706</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ 23,706</u>	<u>\$ 161,322</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Board Contributions		\$ 110,000	\$ 110,000
Plan Member	\$ 53,961	57,747	111,708
Total Contributions	53,961	167,747	221,708
Total Additions	53,961	167,747	221,708
DEDUCTIONS:			
Unemployment Benefit Claims		87,994	87,994
Flexible Spending Claims	47,000		47,000
Total Deductions	47,000	87,994	134,994
Change in Net Position	6,961	79,753	86,714
Net Position - Beginning of the Year	16,745	81,569	98,314
Net Position - End of the Year	<u>\$ 23,706</u>	<u>\$ 161,322</u>	<u>\$ 185,028</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Denville Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: This Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust Fund and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 33,449,256	\$ 575,254
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		(5,676)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	114,925	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(117,354)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 33,446,827</u>	<u>\$ 569,578</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 32,972,454	\$ 575,254
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(5,676)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 32,972,454</u>	<u>\$ 569,578</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments: (Cont'd)

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	40 years
Building Improvements	20 years
Machinery and Equipment	10 to 15 years

In the fund financial statements, Capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2017.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$5,816,951 General Fund fund balance at June 30, 2017, \$2,309,429 is restricted in the capital reserve account; \$953,364 is restricted in the maintenance reserve account; \$300,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$1,070,539 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$585,151 is assigned for encumbrances; and \$598,468 is unassigned which is \$117,354 less than the calculated maximum unassigned fund balance, on a Budgetary Basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2017 of \$1 is restricted for subsequent year's expenditures.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2017 of \$7,453 is committed to current projects.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted on the prior page.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$117,354 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$9,552,690 in governmental activities, which is primarily due to accrued interest payable of \$12,000, \$229,025 of compensated absences payable, an unamortized bond premium of \$33,264, investment gains in pensions of \$572,023, and net pension liability of \$15,001,565; net of \$585,151 assigned for encumbrances, changes in pension proportions of \$573,562, unassigned General Fund fund balance of \$598,468, changes in the difference between expect and actual experience for pensions of \$278,984 and changes in pension assumptions of \$3,107,523. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the deferred amount on the refunding of debt related to the District refunding bonds issued April 29, 2009 and for changes in assumptions, changes in proportions, the difference between expected and actual experience and the net difference between projected and actual investment earnings in pensions.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position: (Cont'd)

The District did not have any deferred inflows of resources at June 30, 2017. Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a maintenance reserve, a capital reserve and Debt Service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had committed resources in the Capital Projects Fund at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances in the General Fund at June 30, 2017.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

U. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

As of June 30, 2017, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking Accounts	\$ 2,553,855	\$ 2,309,429	\$ 953,364	\$ 5,816,648
	<u>\$ 2,553,855</u>	<u>\$ 2,309,429</u>	<u>\$ 953,364</u>	<u>\$ 5,816,648</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$5,816,648 and the bank balance was \$6,139,669.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 932,266
Interest Earnings	100
Transfer by Board Resolution June 19, 2017	<u>1,377,063</u>
Ending Balance, June 30, 2017	<u>\$ 2,309,429</u>

The balance in the capital reserve account did not exceed the balance of local support costs of uncompleted capital projects in the District's LRFP. Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred funds into certain non-equipment capital outlay accounts which required the approval of the County Superintendent of Schools.

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$700,000 was established by the Denville Township School District during the fiscal year ended June 30, 2014. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,342,919
Budgeted Withdrawal	<u>(389,555)</u>
Ending Balance, June 30, 2017	<u>\$ 953,364</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	(Restated) Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 105,150			\$ 105,150
Construction in Progress	598,129	\$ 1,289,846		1,887,975
Total Capital Assets Not Being Depreciated	<u>703,279</u>	<u>1,289,846</u>		<u>1,993,125</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	24,878,932	46,857		24,925,789
Machinery and Equipment	2,978,290	463,796		3,442,086
Total Capital Assets Being Depreciated	<u>27,857,222</u>	<u>510,653</u>		<u>28,367,875</u>
Governmental Activities Capital Assets	<u>28,560,501</u>	<u>1,800,499</u>		<u>30,361,000</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(12,475,291)	(641,462)		(13,116,753)
Machinery and Equipment	(2,007,087)	(192,739)		(2,199,826)
	<u>(14,482,378)</u>	<u>(834,201)</u>		<u>(15,316,579)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,078,123</u>	<u>\$ 966,298</u>	<u>\$ -0-</u>	<u>\$ 15,044,421</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 74,774		\$ (8,988)	\$ 65,786
Less Accumulated Depreciation	(14,710)	\$ (4,043)	5,865	(12,888)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 60,064</u>	<u>\$ (4,043)</u>	<u>\$ (3,123)</u>	<u>\$ 52,898</u>

A new capital asset appraisal was performed during the 2016-2017 school year resulting in a restatement. The District expended \$1,289,846 towards construction projects in progress. As of June 30, 2017, the District has \$1,887,975 in active construction projects.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 81,102
Student and Instructional Support Services	8,750
General Administrative	43,360
School Administrative	33,645
Plant Operations and Maintenance	100,730
Pupil Transportation	448,568
	<u>\$ 834,201</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Adjustment/ Retired	Balance 6/30/2017
Serial Bonds Payable	\$ 1,290,000		\$ 490,000	\$ 800,000
Compensated Absences Payable	291,422	\$ 11,609	74,006	229,025
Net Pension Liability	11,025,378	3,976,187		15,001,565
Unamortized Bond Issuance Premium	49,894		16,630	33,264
Capital Leases Payable	2,103,019	86,241	218,835	1,970,425
	<u>\$ 14,759,713</u>	<u>\$ 4,074,037</u>	<u>\$ 799,471</u>	<u>\$ 18,034,279</u>

A. Bonds Payable:

The Unamortized bond issuance premium of the governmental fund types is recorded in the non-current liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$16,632 and is separated from the long-term liabilities balance of \$16,632.

B. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. Bonds payable will be liquidated through the Debt Service Fund.

The District had bonds outstanding as of June 30, 2017 as follows:

Purpose	Final Maturity	Interest Rate	Amount
School Refunding Bonds	02/15/19	4.00%	<u>\$ 800,000</u>

The current portion of bonds payable at June 30, 2017 is \$485,000 and the long-term portion is \$315,000.

Principal and interest due on serial bonds outstanding are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 485,000	\$ 32,000	\$ 517,000
2019	315,000	12,600	327,600
	<u>\$ 800,000</u>	<u>\$ 44,600</u>	<u>\$ 844,600</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$229,025. There is no current portion of the compensated absences liability at June 30, 2017. The General Fund will be used to liquidate compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Food Service Fund.

E. Capital Leases Payable:

The District is leasing photocopiers, boilers, computer equipment, maintenance vehicles and school buses under capital leases. The capital leases payable will be liquidated by the General Fund. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017 is as follows:

Fiscal Year Ending June 30,	Amount
2018	\$ 286,805
2019	241,001
2020	168,698
2021	162,906
2022	145,018
2023-2027	603,914
2028-2032	692,682
Total Minimum Lease Payments	2,301,024
Less: Amount Representing Interest	(330,599)
Present Value of Net Minimum Lease Payments	\$ 1,970,425

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$0- and the long-term portion is \$15,001,565. See Note 8 for further information on the PERS.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board’s employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers’ Pension and Annuity Fund (TPAF) or the Public Employee’s Retirement System (PERS) of New Jersey.

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$467,861 for fiscal year 2016.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District's liability was \$15,001,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.051%, which was an increase of 0.002% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$1,577,701. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 188,573	
	2015	5.72	770,550	
	2016	5.57	2,148,400	
			<u>3,107,523</u>	
Changes in Proportion	2014	6.44	173,963	
	2015	5.72	149,210	
	2016	5.57	250,389	
			<u>573,562</u>	
Net Difference Between Projected and Actual	2014	5.00		\$ 282,579
	2015	5.00	180,792	
	2016	5.00	673,810	
			<u>854,602</u>	<u>282,579</u>
Difference Between Expected and Actual Experience	2015	5.72	213,786	
	2016	5.57	65,198	
			<u>278,984</u>	
District Contribution Subsequent to the Measurement Date	2016	1.00	477,959	
			<u>\$ 5,292,630</u>	<u>\$ 282,579</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$ 891,227
2018	891,226
2019	1,032,517
2020	867,465
2021	<u>276,095</u>
	<u>\$ 3,958,530</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the table on the following page.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 18,382,667	\$ 15,001,565	\$ 12,210,172

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,244,974 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,673,816.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$88,823,048. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.113%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		88,823,048
Total	\$	88,823,048

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$6,673,816 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the sources on the following page.

	<u>Year of</u> <u>Deferral</u>	<u>Amortization</u> <u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	1,727,420,767	
			1,434,728,663	
		\$ 17,414,701,002	\$ 134,532,594	

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 106,074,569	\$ 88,823,048	\$ 74,734,955

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,037,347, \$904,010 and \$974,271 for 2017, 2016 and 2015, respectively.

NOTE 11. RISK MANAGEMENT

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The table on the following page is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 110,000	\$ -0-	\$ 57,747	\$ 87,994	\$ 161,322
2015-2016	55,000	-0-	49,123	82,205	81,569
2014-2015	86,795	-0-	30,526	62,871	59,651

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group (“NJSIG”). This public entity risk management pool provided workers’ compensation and employer’s liability for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG’s liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The audit of the NJSIG as of June 30, 2017 is not available as of the date of this report. Selected financial information for NJSIG as of June 30, 2016 is as follows:

	<u>New Jersey Schools Insurance Group</u>
Total Assets	\$ 314,444,806
Net Assets	\$ 68,222,364
Total Revenue	\$ 124,872,219
Total Expenses	\$ 113,965,181
Change in Net Assets	\$ 10,907,038
Net Assets Distribution to Participating Members	\$ -0-

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits

Financial statements for NJSIG are available at the NJSIG's Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
Phone: (609) 386-6060
Fax: (609) 386-8877

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,845	
Capital Projects Fund		\$ 1,760
Fiduciary Fund		2,085
	<u>\$ 3,845</u>	<u>\$ 3,845</u>

The interfund between the General Fund and the Payroll Agency Fund represents the unallocated balance in the Net Payroll Account as of June 30, 2017. The interfund between the Capital Projects Fund and the General Fund represents interest earned that was not yet turned over as of June 30, 2017.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Metropolitan Life Insurance Company	Great American Life Insurance Company
United of Omaha	Lincoln Investment Planning, Inc.
Copeland Companies	Variable Annuity Life Insurance Company (VALIC)
MetLife Investors	The Equitable
Lincoln National Life Insurance Company	Prudential Investments

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 15. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten- day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined, agreed-upon schedule.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation:

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

Grant Programs:

The District participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the District is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

Encumbrances:

The following encumbrance balances existed as of June 30, 2017:

	Governmental Activities		
	General	Special	Total
	Fund	Revenue	Governmental
	Fund	Fund	Funds
Encumbrances	\$ 585,151	\$ 5,676	\$ 590,827

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$0 is assigned for year-end encumbrances in the Special Revenue Fund, which is \$5,676 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2017:

	<u>Governmental Funds</u>			District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Funds	<u>Proprietary</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>			<u>Fund</u> Food Service Fund
Vendors	\$ 108,416	\$ 4,125	\$ 39,137		\$ 151,678	\$ 2,162
State of New Jersey		9,471		\$ 477,959	\$ 487,430	
	<u>\$ 108,416</u>	<u>\$ 13,596</u>	<u>\$ 39,137</u>	<u>\$ 477,959</u>	<u>\$ 639,108</u>	<u>\$ 2,162</u>

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment to the District Wide Financial Statements to record an adjustment to correct the amount of Building Improvements recorded as of June 30, 2016.

	<u>Balance 6/30/16 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance 6/30/16 as Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
<u>Statement of Net Position:</u>			
<u>Assets:</u>			
<u>Capital Assets:</u>			
Depreciable Buldings and Building Improvements and Machinery and Equipment	\$ 16,860,832	\$(2,782,709)	\$ 14,078,123
Total Assets	21,387,869	(2,782,709)	18,605,160
<u>Net Position:</u>			
Net Investment in Capital Assets	14,776,654	(2,782,709)	11,993,945
Total Net Position	8,773,348	(2,782,709)	5,990,639

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0479233275%	0.0491152006%	0.0506516473%
District's proportionate share of the net pension liability	\$ 8,972,558	\$ 11,025,378	\$ 15,001,565
District's covered employee payroll	\$ 3,348,994	\$ 3,376,954	\$ 3,282,452
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	267.92%	326.49%	457.02%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 395,073	\$ 422,259	\$ 449,982
Contributions in relation to the contractually required contribution	<u>(395,073)</u>	<u>(422,259)</u>	<u>(449,982)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,348,994	\$ 3,348,994	\$ 3,376,954
Contributions as a percentage of covered employee payroll	11.80%	12.61%	13.33%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT - TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1119457853%	0.1135165468%	0.1129110845%
State's proportionate share of the net pension liability attributable to the District	\$ 59,831,379	\$ 71,747,305	\$ 88,823,048
District's covered employee payroll	\$ 11,200,315	\$ 11,244,788	\$ 11,453,910
State's proportionate share of the net pension liability as a percentage of District's covered employee payroll	534.19%	638.05%	775.48%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 3,219,490	\$ 4,380,819	\$ 6,673,816
Contributions in relation to the contractually required contribution	<u>(613,712)</u>	<u>(904,010)</u>	<u>(1,244,974)</u>
Contribution deficiency/(excess)	<u>\$ 2,605,778</u>	<u>\$ 3,476,809</u>	<u>\$ 5,428,842</u>
District's covered employee payroll	\$ 11,200,315	\$ 11,244,788	\$ 11,453,910
Contributions as a percentage of covered employee payroll	28.74%	38.96%	58.27%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 28,390,548		\$ 28,390,548	\$ 28,390,548	
Tuition from Other LEAs	93,150		93,150	98,587	\$ 5,437
Tuition from Individuals	100		100	19,700	19,700
Interest Earned on Capital Reserve Funds	70,000		70,000	67,051	(2,949)
Other Restricted Miscellaneous	1,500		1,500	256,253	254,753
Unrestricted Miscellaneous					
Total - Local Sources	28,555,298		28,555,298	28,832,239	276,941
State Sources:					
Special Education Categorical Aid	1,014,243		1,014,243	1,014,243	
Special Security Aid	29,235		29,235	29,235	
Categorical Transportation Aid	123,304		123,304	123,304	
PARCC Readiness Aid	16,820		16,820	16,820	
Per Pupil Growth Aid	16,820		16,820	16,820	
Professional Learning Community Aid	15,790		15,790	15,790	
Extraordinary Aid	132,686		132,686	242,152	109,466
Nonpublic School Transportation Costs				11,484	11,484
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,201,443	1,201,443
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,037,347	1,037,347
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,268	3,268
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				43,531	43,531
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				857,013	857,013
Total State Sources	1,348,898		1,348,898	4,612,450	3,263,552
Federal Sources:					
Medicaid Reimbursement	14,639		14,639	4,567	(10,072)
Total Federal Sources	14,639		14,639	4,567	(10,072)
TOTAL REVENUES	29,918,835		29,918,835	33,449,256	3,530,421

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 561,098	\$ (8,487)	\$ 552,611	\$ 552,611	
Grades 1-5 - Salaries of Teachers	4,325,603	(109,449)	4,216,154	4,216,154	
Grades 6-8 - Salaries of Teachers	2,678,526	117,555	2,796,081	2,787,508	\$ 8,573
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000	(7,462)	2,538	2,538	
Purchased Professional - Educational Services	1,000	1,200	2,200	2,168	32
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	5,000		5,000	4,681	319
Purchased Technical Services	330,722	72,922	403,644	312,400	91,244
Other Purchased Services (400-500 series)	128,687	62	128,749	121,726	7,023
General Supplies	577,499	(57,312)	520,187	506,037	14,150
Textbooks	116,000	39,758	155,758	154,982	776
Other Objects	13,000	(13,000)			
Total Regular Programs - Instruction	8,747,135	35,787	8,782,922	8,660,805	122,117
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	588,853	(7,470)	581,383	581,382	1
Other Salaries for Instruction	436,024	29,496	465,520	465,520	
General Supplies	17,500	(3,615)	13,885	12,842	1,043
Total Learning and/or Language Disabilities	1,042,377	18,411	1,060,788	1,059,744	1,044

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,335,377	\$ 41,563	\$ 1,376,940	\$ 1,376,939	\$ 1
Other Salaries for Instruction	226,967	193,368	420,335	420,334	1
General Supplies	13,000	(900)	12,100	8,968	3,132
Total Resource Room/Resource Center	1,575,344	234,031	1,809,375	1,806,241	3,134
Preschool Disabilities - Part-time:					
Salaries of Teachers	199,248	36,069	235,317	235,317	
Other Salaries for Instruction	229,409	(47,975)	181,434	181,434	
General Supplies	9,000	6,200	15,200	13,647	1,553
Total Preschool Disabilities - Part-time	437,657	(5,706)	431,951	430,398	1,553
Total Special Education Instruction	3,055,378	246,736	3,302,114	3,296,383	5,731
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	264,176	(2,036)	262,140	262,140	
General Supplies	5,000	(2,000)	3,000	2,298	702
Total Basic Skills/Remedial - Instruction	269,176	(4,036)	265,140	264,438	702
Bilingual Education - Instruction:					
Salaries of Teachers	71,761	(16,054)	55,707	55,705	2
General Supplies	1,000		1,000	1,000	1,000
Total Bilingual Education - Instruction	72,761	(16,054)	56,707	55,705	1,002

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 102,500	\$ 17,225	\$ 119,725	\$ 119,725	
Purchased Services (300-500 series)	36,900	(125)	36,775	22,630	\$ 14,145
Supplies and Materials		125	125	125	
Total School-Sponsored Cocurricular Activities - Instruction	139,400	17,225	156,625	142,480	14,145
School-Sponsored Athletics - Instruction:					
Salaries	47,000		47,000	37,282	9,718
Purchased Services (300-500 series)	10,500	(500)	10,000	4,172	5,828
Total School-Sponsored Cocurricular Activities - Instruction	57,500	(500)	57,000	41,454	15,546
Total Instruction	12,341,350	279,158	12,620,508	12,461,265	159,243
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	173,204	(33,097)	140,107	106,236	33,871
Tuition to County Special Services Schools and Regional Day Schools		5,484	5,484	5,484	
Tuition to Private Schools for the Disabled - Within the State	873,070	(230,539)	642,531	601,471	41,060
Total Undistributed Expenditures - Instruction:	1,046,274	(258,152)	788,122	713,191	74,931
Health Services:					
Salaries	312,790	(11,132)	301,658	301,658	
Purchased Professional and Technical Services	1,500	13,000	14,500	6,451	8,049
Supplies and Materials	10,200	1,096	11,296	10,882	414
Total Health Services	324,490	2,964	327,454	318,991	8,463

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Speech, OT, PT, and Related Services:					
Salaries	\$ 290,794	\$ (17,020)	\$ 273,774	\$ 273,774	
Purchased Professional - Educational Services	246,056	(26,150)	219,906	195,369	\$ 24,537
Supplies and Materials	3,200		3,200	2,546	654
Total Speech, OT, PT, and Related Services	540,050	(43,170)	496,880	471,689	25,191
Other Support Services - Students - Extraordinary Services:					
Salaries	349,040	8,800	357,840	357,834	6
Purchased Professional - Educational Services	225,000	(146,280)	78,720	58,684	20,036
Supplies and Materials	12,000	3,485	15,485	15,471	14
Total Other Support Services - Students - Extraordinary Services	586,040	(133,995)	452,045	431,989	20,056
Guidance:					
Salaries of Other Professional Staff	472,307	(83,934)	388,373	388,373	
Supplies and Materials	8,750	(685)	8,065	6,445	1,620
Total Guidance	481,057	(84,619)	396,438	394,818	1,620
Child Study Teams:					
Salaries of Other Professional Staff	741,150	201,787	942,937	942,936	1
Salaries of Secretarial and Clerical Assistants	92,058	918	92,976	92,976	
Purchased Professional - Educational Services	20,000	(5,949)	14,051	12,237	1,814
Other Purchased Services	2,000	(275)	1,725	1,337	388
Supplies and Materials	10,000		10,000	9,930	70
Other Objects	17,813		17,813	15,931	1,882
Total Child Study Teams	883,021	196,481	1,079,502	1,075,347	4,155

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 2,000	\$ 609	\$ 609	\$ 609	\$ 1,152
Purchased Professional - Educational Services	2,000	(848)	1,152	3,796	4
Other Purchased Services (400-500 series)	1,000	1,800	3,800	196	804
Supplies and Materials			1,000		
Total Improvement of Instructional Services	5,000	1,561	6,561	4,601	1,960
Educational Media Services/School Library:					
Salaries	244,662	(11,641)	233,021	233,020	1
Other Purchased Services (400-500 series)	85,380		85,380	42,155	43,225
Supplies and Materials	38,425		38,425	27,412	11,013
Total Educational Media Services/School Library	368,467	(11,641)	356,826	302,587	54,239
Instructional Staff Training Services:					
Salaries of Other Professional Staff	148,954	(56,427)	92,527	92,527	
Purchased Professional - Educational Services	44,900	(800)	44,100	39,088	5,012
Other Purchased Services (400-500 series)	53,250		53,250	33,981	19,269
Supplies and Materials	7,000		7,000		7,000
Total Instructional Staff Training Services	254,104	(37,087)	217,017	185,736	31,281

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 409,785	\$ 7,407	\$ 417,192	\$ 417,192	
Legal Services	106,064	(13,924)	92,140	33,527	\$ 58,613
Audit Fees	58,700		58,700	29,000	29,700
Architectural/Engineering Services	5,000	5,000	10,000	53,514	10,000
Other Purchased Professional Services	51,411	2,783	54,194	41,188	680
Communications/Telephone	47,846	700	48,546	1,408	7,358
BOE Other Purchased Services		3,136	3,136	3,093	1,728
Miscellaneous Purchased Services (400-500 series)	4,500	(1,407)	3,093	3,177	719
General Supplies	5,500	(1,604)	3,896	21,189	1,120
Miscellaneous Expenditures	16,500	5,809	22,309	603,288	109,918
Total Support Services - General Administration	705,306	7,900	713,206	696,333	1,781
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	689,549	6,784	696,333	377,438	1
Salaries of Secretarial and Clerical Assistants	376,097	1,342	377,439	444	1,781
Other Purchased Services (400-500 series)	2,500	(275)	2,225	13,425	4,295
Supplies and Materials	21,000	(3,280)	17,720	11,049	677
Other Objects	12,300	(574)	11,726	1,098,689	6,754
Total Support Services - School Administration	1,101,446	3,997	1,105,443	1,098,689	6,754

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 325,370	\$ 9,776	\$ 335,146	\$ 319,630	\$ 15,516
Miscellaneous Purchased Services (400-500 series)	500	615	1,115	1,115	
Supplies and Materials	4,000	(155)	3,845	3,836	9
Miscellaneous Expenditures	1,550	90	1,640	1,640	
Total Central Services	331,420	10,326	341,746	326,221	15,525
Administration Information Technology:					
Salaries	275,437	(75,793)	199,644	199,233	411
Other Purchased Services (400-500 series)	29,750	69,834	99,584	94,304	5,280
Supplies and Materials	3,000	(1,500)	1,500	433	1,067
Total Administration Information Technology	308,187	(7,459)	300,728	293,970	6,758
Required Maintenance of School Facilities:					
Salaries	117,530	66,297	183,827	182,027	1,800
Cleaning, Repair and Maintenance Services	173,073	292,537	465,610	316,834	148,776
General Supplies	52,000	(12,300)	39,700	30,264	9,436
Other Objects	30,000	(11,002)	18,998	12,454	6,544
Total Required Maintenance of School Facilities	372,603	335,532	708,135	541,579	166,556

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 773,362	\$ 79,998	\$ 853,360	\$ 820,492	\$ 32,868
Salaries of Non-Instructional Aides	122,087	(111,376)	10,711	10,711	
Purchased Professional and Technical Services	35,000	(19,880)	15,120	7,005	8,115
Cleaning, Repair and Maintenance Services	8,800	2,580	11,380	11,040	340
Rental of Land and Building Other Than Lease-Purchase Agreements	63,474		63,474	55,369	8,105
Other Purchased Property Services	23,630		23,630	13,729	9,901
Insurance	125,000	2,305	127,305	127,305	
Miscellaneous Purchased Services	48,399	(2,305)	46,094	44,691	1,403
General Supplies	45,000	7,300	52,300	51,164	1,136
Energy (Electricity)	195,000	75,073	270,073	136,009	134,064
Energy (Oil)	340,073	(75,073)	265,000	228,412	36,588
Total Custodial Services	1,779,825	(41,378)	1,738,447	1,505,927	232,520
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	80,500	(38,000)	42,500	39,249	3,251
General Supplies	9,000	1,000	10,000	5,665	4,335
Total Care and Upkeep of Grounds	89,500	(37,000)	52,500	44,914	7,586

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Security:					
Purchased Professional and Technical Services	\$ 34,600		\$ 34,600	\$ 28,133	\$ 6,467
General Supplies	2,000	133	2,133	2,061	72
Total Security	<u>36,600</u>	<u>133</u>	<u>36,733</u>	<u>30,194</u>	<u>6,539</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	820,737	61,678	882,415	882,415	
Other Than Between Home and School	170,000	(1,334)	168,666	168,666	
Cleaning, Repair and Maintenance Services	22,500	1,000	23,500	21,025	2,475
Lease Purchase Payments - School Buses	68,810	(145)	68,665	63,548	5,117
Contracted Services:					
Aid in Lieu - Nonpublic Schools	106,080	60,659	166,739	93,744	72,995
Special Education Students - ESC's & CTSA's	221,484	(115,404)	106,080	67,036	39,044
Miscellaneous Purchased Services - Transportation	30,354	7,300	37,654	35,785	1,869
Transportation Supplies	210,500	24,200	234,700	172,101	62,599
Other Objects	36,000	1,320	37,320	32,320	5,000
Total Student Transportation Services	<u>1,686,465</u>	<u>39,274</u>	<u>1,725,739</u>	<u>1,536,640</u>	<u>189,099</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 456,000	\$ 26,019	\$ 482,019	\$ 482,019	
Other Retirement Contributions - PERS	462,339	6,674	469,013	467,861	\$ 1,152
Other Retirement Contributions - ERIP	13,808	10,000	23,808	21,858	1,950
Unemployment Compensation	140,000	(28,111)	111,889	60,000	51,889
Workmen's Compensation	138,000	9,813	147,813	147,813	
Health Benefits	5,094,062	(43,648)	5,050,414	4,646,347	404,067
Tuition Reimbursement	53,000	20,053	73,053	63,398	9,655
Other Employee Benefits	70,000	12,796	82,796	82,796	
Total Unallocated Benefits	6,427,209	13,596	6,440,805	5,972,092	468,713
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,201,443	(1,201,443)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,037,347	(1,037,347)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,268	(3,268)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				43,531	(43,531)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				857,013	(857,013)
Total On-Behalf Contributions				3,142,602	(3,142,602)
Total Personal Services - Employee Benefits	6,427,209	13,596	6,440,805	9,114,694	(2,673,889)
Total Undistributed Expenses	17,327,064	(42,737)	17,284,327	18,995,065	(1,710,738)
TOTAL GENERAL CURRENT EXPENSE	29,668,414	236,421	29,904,835	31,456,330	(1,551,495)

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Undistributed Expenditures - Equipment:					
Instruction	\$ 17,562	\$ 1,020	\$ 18,582	\$ 18,073	\$ 509
Total Equipment	<u>17,562</u>	<u>1,020</u>	<u>18,582</u>	<u>18,073</u>	<u>509</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		49,200	49,200	25,986	23,214
Construction Services	1,503,861	58,865	1,562,726	1,279,243	283,483
Lease Purchase Agreements - Principal	16,109		16,109	16,109	
Other Objects - Assessment for Debt Service on SDA Funding	4,704		4,704	4,704	
Total Facilities Acquisition and Construction Services	<u>1,524,674</u>	<u>108,065</u>	<u>1,632,739</u>	<u>1,326,042</u>	<u>306,697</u>
Assets Acquired Under Capital Leases (non-budgeted)				86,241	(86,241)
Student Transportation				86,241	(86,241)
Total Assets Acquired Under Capital Leases (non-budgeted)				<u>1,430,356</u>	<u>220,965</u>
TOTAL CAPITAL OUTLAY	<u>1,542,236</u>	<u>109,085</u>	<u>1,651,321</u>	<u>1,430,356</u>	<u>220,965</u>
Transfer of Funds to Charter Schools	80,763	5,005	85,768	85,768	
TOTAL EXPENDITURES	<u>31,291,413</u>	<u>350,511</u>	<u>31,641,924</u>	<u>32,972,454</u>	<u>(1,330,530)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,372,578)</u>	<u>(350,511)</u>	<u>(1,723,089)</u>	<u>476,802</u>	<u>2,199,891</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Capital Leases (non-budgeted)				\$ 86,241	\$ 86,241
Operating Transfers In/(Out):					
Interest Earned in Capital Projects Fund		\$ (39,044)	\$ (39,044)	1,760	1,760
Transfer to Cover Deficit - Enterprise Fund				(39,044)	
Total Other Financing Sources/(Uses)		(39,044)	(39,044)	48,957	88,001
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (1,372,578)	(389,555)	(1,762,133)	525,759	2,287,892
Fund Balance, July 1	5,408,546		5,408,546	5,408,546	
Fund Balance, June 30	\$ 4,035,968	\$ (389,555)	\$ 3,646,413	\$ 5,934,305	\$ 2,287,892
Recapitulation:					
Restricted:					
Excess Surplus				\$ 300,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				1,070,539	
Capital Reserve				2,309,429	
Maintenance Reserve				953,364	
Assigned:					
Year-End Encumbrances				585,151	
Unassigned				715,822	
				5,934,305	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(117,354)	
Fund Balance per Governmental Funds (GAAP)				\$ 5,816,951	

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 415,048	\$ 76,658	\$ 491,706	\$ 488,388	\$ (3,318)
State Sources	76,337	16,767	93,104	83,633	(9,471)
Local Sources		4,020	4,020	3,233	(787)
Total Revenues	491,385	97,445	588,830	575,254	(13,576)
EXPENDITURES:					
Instruction					
Salaries of Teachers		22,000	22,000	19,860	2,140
Purchased Professional - Educational Services	44,967	(3,467)	41,500	38,681	2,819
Tuition	329,047	42,953	372,000	370,611	1,389
General Supplies	41,034	(2,604)	38,430	36,170	2,260
Textbooks	9,805	2,195	12,000	11,586	414
Total Instruction	424,853	61,077	485,930	476,908	9,022
Support Services					
Personal Services - Employee Benefits	56,111	29,889	86,000	83,449	2,551
Purchased Professional - Educational Services	10,067	933	11,000	10,050	950
Other Purchased Services	354	5,546	5,900	4,847	1,053
Supplies and Materials					
Total Support Services	66,532	36,368	102,900	98,346	4,554
Total Expenditures	491,385	97,445	588,830	575,254	13,576
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 33,449,256	\$ 575,254
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		(5,676)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	114,925	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(117,354)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 33,446,827</u>	<u>\$ 569,578</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 32,972,454	\$ 575,254
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(5,676)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 32,972,454</u>	<u>\$ 569,578</u>

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

DENVILLE TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>No Child Left Behind</u>				
	<u>Title I</u>	<u>Title II, Part A</u>	<u>Title III Immigrant</u>	<u>Nonpublic Security</u>	<u>Nonpublic Nursing</u>
REVENUE:					
Local Sources					
State Sources				\$ 10,050	\$ 18,090
Federal Sources	\$ 64,506	\$ 35,503	\$ 1,158		
Total Revenue	64,506	35,503	1,158	10,050	18,090
EXPENDITURES:					
Instruction:					
Salaries of Teachers	13,860	6,000			
Purchased Professional Educational Services					
Tuition					
General Supplies	9,817	5,352	1,158		
Textbooks					
Total Instruction	23,677	11,352	1,158		
Support Services:					
Purchased Professional Educational Services	39,329	20,804			18,090
Other Purchased Professional Services				10,050	
Supplies and Materials	1,500	3,347			
Total Support Services	40,829	24,151		10,050	18,090
Total Expenditures	\$ 64,506	\$ 35,503	\$ 1,158	\$ 10,050	\$ 18,090

DENVILLE TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	IDEA Part B		Non-Public Auxiliary Services	Nonpublic Technology	Nonpublic Textbooks
	Basic	Preschool			
REVENUE:					
Local Sources					
State Sources	\$ 365,607	\$ 21,614	\$ 14,512	\$ 5,226	\$ 11,586
Federal Sources					
Total Revenue	365,607	21,614	14,512	5,226	11,586
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional Educational Services			14,512		
Tuition	348,997	21,614			
General Supplies	16,610				
Textbooks					11,586
Total Instruction	365,607	21,614	14,512		11,586
Support Services:					
Purchased Professional Educational Services				5,226	
Other Purchased Professional Services					
Supplies and Materials					
Total Support Services				5,226	
Total Expenditures	\$ 365,607	\$ 21,614	\$ 14,512	\$ 5,226	\$ 11,586

DENVILLE TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic Handicapped Services				
	Supplemental Instruction	Exam and Classification	Corrective Speech	Local Grants	Totals
REVENUE:					
Local Sources				\$ 3,233	3,233
State Sources	\$ 6,984	\$ 11,707	\$ 5,478		83,633
Federal Sources					488,388
Total Revenue	6,984	11,707	5,478	3,233	575,254
EXPENDITURES:					
Instruction:					
Salaries of Teachers					19,860
Purchased Professional Educational Services	6,984	11,707	5,478		38,681
Tuition					370,611
General Supplies				3,233	36,170
Textbooks					11,586
Total Instruction	6,984	11,707	5,478	3,233	476,908
Support Services:					
Purchased Professional Educational Services					83,449
Other Purchased Professional Services					10,050
Supplies and Materials					4,847
Total Support Services					98,346
Total Expenditures	\$ 6,984	\$ 11,707	\$ 5,478	\$ 3,233	\$ 575,254

CAPITAL PROJECTS FUND

DENVILLE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
Interest on Investments - Due General Fund	\$ 1,760
	<u>1,760</u>
Total Revenue and Other Financing Sources	<u>1,760</u>
Expenditures and Other Financing Uses:	
Construction Services	1,289,846
Operating Transfers Out:	
Interest on Investments - Due General Fund	<u>1,760</u>
Total Expenditures and Other Financing Uses	<u>1,291,606</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(1,289,846)
Fund Balance - Beginning of Year	<u>1,297,299</u>
Fund Balance - End of Year	<u><u>\$ 7,453</u></u>
<u>Recapitulation:</u>	
Committed	<u>\$ 7,453</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 7,453</u></u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ENERGY CONSERVATION MEASURES PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Capital Lease Purchase Agreement Proceeds	<u>\$ 1,895,428</u>	<u> </u>	<u>\$1,895,428</u>	<u>\$ 1,895,428</u>
Total Revenue and Other Financing Sources	<u>1,895,428</u>	<u>\$ -0-</u>	<u>1,895,428</u>	<u>1,895,428</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services				
Architectural Services	15,000		15,000	15,000
Legal Services	26,500		26,500	26,500
Construction Services	<u>556,629</u>	<u>1,289,846</u>	<u>1,846,475</u>	<u>1,853,928</u>
Total Expenditures and Other Financing Uses	<u>598,129</u>	<u>1,289,846</u>	<u>1,887,975</u>	<u>1,895,428</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 1,297,299</u>	<u>\$ (1,289,846)</u>	<u>\$ 7,453</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number	Not Applicable			
Lease Authorization Date	May 12, 2016			
Lease Authorized	\$ 1,895,428			
Lease Issued	\$ 1,895,428			
Original Authorized Cost	\$ 1,895,428			
Change Orders	\$ -0-			
Revised Authorized Cost	\$ 1,895,428			
Change Order Percentage	0.00%			
Percentage Completion	99.61%			
Original Target Completion Date	September 1, 2018			

PROPRIETARY FUNDS

DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 6,148
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Accounts Receivable:

Federal	3,793
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Total Current Assets

	9,941
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Non-Current Assets:

Capital Assets	65,786
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Less: Accumulated Depreciation	(12,888)
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Total Non-Current Assets

	52,898
--	--------

Total Assets

	62,839
--	--------

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors	2,162
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Total Current Liabilities

	2,162
--	-------

Total Liabilities

	2,162
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NET POSITION:

Investment in Capital Assets	52,898
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Unrestricted	7,779
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Total Net Position

	\$ 60,677
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DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 12,280
	<hr/>
Total Operating Revenue	12,280
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Program	35,067
Salaries, Benefits and Payroll Taxes	583
Depreciation	4,043
Miscellaneous Expenses	61
	<hr/>
Total Operating Expenses	39,754
	<hr/>
Operating (Loss)	(27,474)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	19,441
Local Sources:	
Interest Revenue	64
	<hr/>
Total Non-Operating Revenue	19,505
	<hr/>
Change in Net Position Before Transfers and Capital Deletions	(7,969)
	<hr/>
Transfer - General Fund	10,000
Capital Asset Deletions Net of Depreciation	(3,123)
	<hr/>
Change in Net Position After Transfers and Capital Contributions	(1,092)
	<hr/>
Net Position - Beginning of Year	61,769
	<hr/>
Net Positon - End of Year	\$ 60,677
	<hr/> <hr/>

DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,280
Payments to Suppliers	<u>(35,292)</u>
Net Cash (Used for) Operating Activities	<u>(23,012)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>64</u>
Net Cash Provided by Investing Activities	<u>64</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources - Special Milk Program	18,878
Transfer - General Fund	<u>10,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>28,878</u>
Net Increase in Cash and Cash Equivalents	5,930
Cash and Cash Equivalents, July 1	<u>218</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 6,148</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (27,474)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation	4,043
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>419</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (23,012)</u></u>

FIDUCIARY FUNDS

DENVILLE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency		Total	Flexible Spending Trust	Unemployment Compensation Trust
	Student Activity	Payroll			
ASSETS:					
Cash and Cash Equivalents	\$ 33,876	\$ 2,085	\$ 35,961	\$ 23,706	\$ 161,322
Total Assets	33,876	2,085	35,961	23,706	161,322
LIABILITIES:					
Interfund Payable - General Fund		2,085	2,085		
Due to Student Groups	33,876		33,876		
Total Liabilities	33,876	2,085	35,961		
NET POSITION:					
Held in Trust for Unemployment Claims				23,706	161,322
Held in Trust for Flexible Spending Claims					
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 23,706	\$ 161,322

DENVILLE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Board Contributions		\$ 110,000	\$ 110,000
Plan Member	\$ 53,961	57,747	111,708
Total Contributions	53,961	167,747	221,708
Total Additions	53,961	167,747	221,708
DEDUCTIONS:			
Unemployment Benefit Claims		87,994	87,994
Flexible Spending Claims	47,000		47,000
Total Deductions	47,000	87,994	134,994
Change in Net Position	6,961	79,753	86,714
Net Position - Beginning of the Year	16,745	81,569	98,314
Net Position - End of the Year	<u>\$ 23,706</u>	<u>\$ 161,322</u>	<u>\$ 185,028</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 38,885	\$ 110,784	\$ 115,793	\$ 33,876
Total Assets	<u>\$ 38,885</u>	<u>\$ 110,784</u>	<u>\$ 115,793</u>	<u>\$ 33,876</u>
LIABILITIES:				
Due to Student Groups	\$ 38,885	\$ 110,784	115,793	\$ 33,876
Total Liabilities	<u>\$ 38,885</u>	<u>\$ 110,784</u>	<u>\$ 115,793</u>	<u>\$ 33,876</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary School:				
Riverview	\$ 193			\$ 193
Middle School:				
Valleyview	<u>38,692</u>	<u>\$ 110,784</u>	<u>\$ 115,793</u>	<u>33,683</u>
Total All Schools	<u>\$ 38,885</u>	<u>\$ 110,784</u>	<u>\$ 115,793</u>	<u>\$ 33,876</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>July 1, 2016</u>			<u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,063	\$ 11,798,525	\$ 11,798,503	\$ 2,085
Total Assets	<u>\$ 2,063</u>	<u>\$ 11,798,525</u>	<u>\$ 11,798,503</u>	<u>\$ 2,085</u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 11,798,503	\$ 11,798,503	
Interfund Payable - General Fund	\$ 2,063	22		\$ 2,085
Total Liabilities	<u>\$ 2,063</u>	<u>\$ 11,798,525</u>	<u>\$ 11,798,503</u>	<u>\$ 2,085</u>

LONG-TERM DEBT

DENVILLE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Amount				
School Refunding Bonds	4/29/2009	\$ 4,600,000	02/15/18	\$ 485,000	4.00%	\$ 1,290,000	\$ 490,000	\$ 800,000
			02/15/19	315,000	4.00%			
						<u>\$ 1,290,000</u>	<u>\$ 490,000</u>	<u>\$ 800,000</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Item	Interest Rate	Original Issue	Balance July 1, 2016	Issued	Retired or Matured	Balance June 30, 2017
School Bus	2.75%	\$ 46,177	\$ 10,546		\$ 9,724	\$ 822
Laptop Charging Carts	1.85%	216,693	43,015		43,015	
Technology Initiative	1.85%	141,348	16,108		16,108	
Buses	1.85%	94,090	26,218		26,218	
Technology Initiative	1.85%	207,093	75,994		70,094	5,900
2015 Pickup Truck	2.19%	45,131	35,710		8,639	27,071
Energy Conservation Measures	2.31%	1,895,428	1,895,428		26,767	1,868,661
2016 School Bus	3.69%	86,241		\$ 86,241	18,270	67,971
			\$ 2,103,019	\$ 86,241	\$ 218,835	\$ 1,970,425

DENVILLE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 397,176		\$ 397,176	\$ 397,176	
State Sources:					
Debt Service Aid Type II	144,424		144,424	144,424	
Total Revenues	541,600		541,600	541,600	
EXPENDITURES:					
Regular Debt Service:					
Interest	51,600		51,600	51,600	
Redemption of Principal	490,000		490,000	490,000	
Total Regular Debt Service	541,600		541,600	541,600	
Total Expenditures	541,600		541,600	541,600	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	-0-	\$ -0-	-0-	-0-	\$ -0-
Fund Balance, July 1	1		1	1	-0-
Fund Balance, June 30	1	\$ -0-	\$ 1	\$ 1	\$ -0-
Recapitulation:					
Restricted for Subsequent Year's Expenditures				\$ 1	1

STATISTICAL SECTION
(UNAUDITED)

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 11,617,678	\$ 11,126,485	\$ 10,738,033	\$ 10,579,418	\$ 11,035,450	\$ 11,819,214	\$ 13,998,457	\$ 14,776,654	\$ 10,703,350	\$ 12,286,161
Restricted	5,221	320,733	280,436	51,565	1,178,959	2,159,654	1,783,615	2,712,774	3,645,996	4,633,333
Unrestricted/(Deficit)	(422,461)	(857,652)	(574,322)	(288,039)	(75,641)	(284,731)	(8,645,202)	(8,716,080)	(6,757,468)	(9,552,690)
Total Governmental Activities Net Position	\$ 11,200,438	\$ 10,589,566	\$ 10,444,147	\$ 10,342,944	\$ 12,138,768	\$ 13,694,137	\$ 7,136,870	\$ 8,773,348	\$ 7,591,878	\$ 7,366,804
Business-Type Activities										
Investment in Capital Assets	\$ 22,757	\$ 20,170	\$ 5,977	\$ 5,223	\$ 4,467	\$ 12,022	\$ 10,827	\$ 8,159	\$ 60,064	\$ 52,898
Unrestricted	10,020	37	1	4,463	2,791	6,356	7,961	6,125	1,705	7,779
Total Business-Type Activities Net Position	\$ 32,777	\$ 20,207	\$ 5,978	\$ 9,686	\$ 7,258	\$ 18,378	\$ 18,788	\$ 14,284	\$ 61,769	\$ 60,677
District-Wide:										
Net Investment in Capital Assets	\$ 11,640,435	\$ 11,146,655	\$ 10,744,010	\$ 10,584,641	\$ 11,039,917	\$ 11,831,236	\$ 14,009,284	\$ 14,784,813	\$ 10,763,414	\$ 12,339,059
Restricted	5,221	320,733	280,436	51,565	1,178,959	2,159,654	1,783,615	2,712,774	3,645,996	4,633,333
Unrestricted/(Deficit)	(412,441)	(857,615)	(574,321)	(283,576)	(72,850)	(278,375)	(8,637,241)	(8,709,955)	(6,755,763)	(9,544,911)
Total District Net Position	\$ 11,233,215	\$ 10,609,773	\$ 10,450,125	\$ 10,352,630	\$ 12,146,026	\$ 13,712,515	\$ 7,155,658	\$ 8,787,632	\$ 7,653,647	\$ 7,427,481

*Restated

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 11,395,183	\$ 12,772,668	\$ 11,753,144	\$ 11,416,249	\$ 11,123,913	\$ 11,913,180	\$ 12,213,187	\$ 14,515,136	\$ 15,496,872	\$ 18,115,297
Special Education	2,797,940	3,754,286	4,143,956	4,222,410	3,891,200	4,171,127	4,165,578	5,050,466	5,251,149	6,411,745
Other Special Instruction	467,113	491,776	415,583	436,124	1,156,852	198,698	518,460	609,585	621,163	691,902
Other Instruction	243,862	181,667	125,140	185,942	188,287	388,978	186,148	247,618	261,729	367,574
Support Services:										
Tuition	1,600,218	1,286,201	1,220,975	877,851	787,721	589,171	576,643	681,191	753,046	713,191
Student & Instruction Related Services	4,085,076	4,091,491	4,213,955	4,340,013	3,826,840	4,200,581	3,979,099	3,762,142	3,765,102	4,110,774
General Administrative Services	873,476	623,736	737,611	719,266	642,441	544,216	587,345	804,991	966,576	837,242
School Administrative Services	1,231,178	1,253,926	1,281,289	1,320,786	1,320,456	1,421,966	1,419,211	1,647,044	1,864,563	2,119,772
Central Services	11,153	354,797	388,864	389,230	398,879	414,829	377,014	430,332	450,713	477,381
Administrative Information Technology	224,671	272,451	252,404	471,177	284,025	245,035	284,024	401,695	458,409	417,008
Plant Operations And Maintenance	1,844,975	1,852,182	2,070,866	2,283,187	1,950,087	1,937,597	2,118,264	2,146,437	2,424,721	2,754,553
Pupil Transportation	1,930,699	2,336,162	2,644,256	2,315,131	2,089,554	2,121,798	2,194,261	2,299,967	2,412,540	2,673,210
Business and Other Support Services	13,887									
Capital Outlay						1,014,870	125,361	458,195	560,502	409,050
Transfer to Charter School	60,122	41,710	64,283	110,403	130,412	104,099	104,689	146,064	124,953	85,768
Interest On Long-Term Debt	234,688	184,885	154,133	149,931	136,042	120,566	91,935	73,026	53,301	33,701
Total Governmental Activities Expenses	27,014,241	29,497,938	29,466,459	29,237,700	27,926,709	29,386,711	28,941,219	33,273,889	35,465,339	40,218,168

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Business-type activities:										
Food Service	\$ 44,699	\$ 54,647	\$ 36,733	\$ 36,539	\$ 51,604	\$ 33,280	\$ 30,936	\$ 44,233	\$ 57,089	\$ 39,754
Total Business-Type Activities Expense	44,699	54,647	36,733	36,539	51,604	33,280	30,936	44,233	57,089	39,754
Total District Expenses	27,058,940	29,552,585	29,503,192	29,274,239	27,978,313	29,419,991	28,972,155	33,318,122	35,522,428	40,257,922
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Regular Instruction	86,575	21,923		48,781	66,747	120,205	123,486	237,466	169,181	118,287
Operating Grants and Contributions	4,666,790	3,898,363	4,123,752	3,451,081	3,610,827	4,289,464	4,065,218	6,921,377	8,278,249	10,602,542
Capital Grants and Contributions			103,508					700,930		
Total Governmental Activities Program Revenues	4,753,365	3,920,286	4,227,260	3,499,862	3,677,574	4,409,669	4,188,704	7,859,773	8,447,430	10,720,829
Business-Type Activities:										
Charges For Services:										
Food Service	11,493	12,286	11,883	16,881	22,026	14,526	13,648	22,219	11,820	12,280
Operating Grants and Contributions	25,393	29,791	23,109	23,366	27,150	20,889	17,882	19,260	19,450	19,441
Capital Grants and Contributions									59,839	
Total Business Type Activities Program Revenues	36,886	42,077	34,992	40,247	49,176	35,415	31,530	41,479	91,109	31,721
Total District Program Revenues	4,790,251	3,962,363	4,262,252	3,540,109	3,726,750	4,445,084	4,220,234	7,901,252	8,538,539	10,752,550

DENVILLE TOWNSHIP SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue Governmental Activities	\$(22,260,876)	\$(25,577,652)	\$(25,239,199)	\$(25,737,838)	\$(24,249,135)	\$(24,977,042)	\$(24,752,515)	\$(25,414,116)	\$(27,017,909)	\$(29,497,339)
Business-Type Activities	(7,813)	(12,570)	(1,741)	3,708	(2,428)	2,135	594	(2,754)	34,020	(8,033)
Total District-Wide Net Expense	(22,268,689)	(25,590,222)	(25,240,940)	(25,734,130)	(24,251,563)	(24,974,907)	(24,751,921)	(25,416,870)	(26,983,889)	(29,505,372)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	23,336,840	24,259,598	24,243,496	24,916,117	25,337,084	25,843,825	26,231,482	26,318,000	27,266,482	28,390,548
Taxes Levied for Debt Service	491,390	419,798	421,613	426,546	398,616	440,737	439,545	429,737	411,550	397,176
Federal and State Aid not Restricted	343,152	255,355	341,953	165,463	159,825	160,263	159,830	189,903	183,290	198,421
Interest and Miscellaneous Income	77,353	32,029	86,718	128,509	149,434	155,681	197,818	112,954	734,111	258,113
Restricted Miscellaneous Revenue									37,180	67,051
Transfers										(39,044)
Capital Disposals, Net of Depreciation										
Total Governmental Activities	24,248,735	24,966,780	25,093,780	25,636,635	26,044,959	26,600,506	27,028,675	27,050,594	28,632,613	29,272,265
Business-Type Activities:										
Interest and Miscellaneous Income	49		1,119							64
Capital Contributions/(Disposals)	22,230		(13,607)			8,985	(184)	(1,750)		(3,123)
Transfers										10,000
Total Business-Type Activities	22,279		(12,488)			8,985	(184)	(1,750)		6,941
Total District-Wide	24,271,014	24,966,780	25,081,292	25,636,635	26,044,959	26,609,491	27,028,491	27,048,844	28,632,613	29,279,206
Change in Net Position:										
Governmental Activities	1,987,859	(610,872)	(145,419)	(101,203)	1,795,824	1,623,464	2,276,160	1,636,478	1,614,704	(225,074)
Business-Type Activities	14,466	(12,570)	(14,229)	3,708	(2,428)	11,120	410	(4,504)	34,020	(1,092)
Total District	\$ 2,002,325	\$ (623,442)	\$ (159,648)	\$ (97,495)	\$ 1,793,396	\$ 1,634,584	\$ 2,276,570	\$ 1,631,974	\$ 1,648,724	\$ (226,166)

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 5,208	\$ 320,733	\$ 221,210							
Unreserved	356,708	26,631	371,790							
Restricted				\$ 13,266	\$1,178,958	\$2,159,653	\$1,783,614	\$2,712,773	\$3,645,995	\$4,633,332
Assigned				74,638	296,647	163,657	220,854	138,419	1,072,407	585,151
Unassigned				594,352	511,400	537,310	574,502	539,737	575,219	598,468
Total General Fund	\$ 361,916	\$ 347,364	\$ 593,000	\$ 682,256	\$1,987,005	\$2,860,620	\$2,578,970	\$3,390,929	\$5,293,621	\$5,816,951
All Other Governmental Funds:										
Unreserved, Reported In:										
Debt Service Fund	\$ 13		\$ 59,226						\$1,297,299	\$ 7,453
Committed				\$ 38,299	\$ 1	\$ 1	\$ 187,225	\$ 1	\$ 1	1
Restricted										
Total All Other Governmental Funds	\$ 13	\$ -0-	\$ 59,226	\$ 38,299	\$ 1	\$ 1	\$ 187,226	\$ 1	\$1,297,300	\$ 7,454
Total Governmental Funds:										
Reserved	\$ 5,208	\$ 320,733	\$ 221,210							
Unreserved	356,721	26,631	431,016							
Restricted				\$ 51,565	\$1,178,959	\$2,159,654	\$1,783,615	\$2,712,774	\$3,645,996	\$4,633,333
Committed				74,638	296,647	163,657	187,225	138,419	1,297,299	7,453
Assigned				594,352	511,400	537,310	220,854	539,737	1,072,407	585,151
Unassigned							574,502	575,219	575,219	598,468
Total Governmental Funds	\$ 361,929	\$ 347,364	\$ 652,226	\$ 720,555	\$1,987,006	\$2,860,621	\$2,766,196	\$3,390,930	\$6,590,921	\$5,824,405

Source: School District Financial Reports

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax Levy	\$23,828,230	\$24,679,396	\$24,665,109	\$25,342,663	\$25,735,700	\$26,284,562	\$26,671,027	\$26,747,737	\$27,678,032	\$28,787,724
Tuition	86,575	21,923		48,781	49,013	117,955	123,486	237,466	169,181	118,287
Transportation Fees				80	17,734	2,250				
Miscellaneous	78,708	32,029	87,837	133,258	149,434	161,547	203,259	122,289	771,887	328,397
State Sources	4,524,258	3,725,589	4,021,253	2,792,605	3,259,369	4,049,527	3,674,049	4,727,427	4,449,412	4,838,078
Federal Sources	484,329	428,129	547,960	819,110	511,283	394,334	545,558	469,670	534,722	487,279
Total Revenue	29,002,100	28,887,066	29,322,159	29,136,497	29,722,533	31,010,175	31,217,379	32,304,589	33,603,234	34,559,765
Expenditures:										
Instruction:										
Regular Instruction	7,803,970	8,117,462	8,480,795	8,323,406	8,124,921	8,220,513	8,840,406	9,048,089	8,734,158	9,132,694
Special Education Instruction	1,917,637	2,783,211	3,038,603	3,210,463	2,910,404	2,941,575	2,984,792	3,085,968	3,056,855	3,394,072
Other Special Instruction	324,285	350,005	292,089	310,394	322,102	256,839	351,077	348,693	321,096	320,143
Other Instruction	171,562	130,673	95,987	135,887	133,312	133,641	129,541	153,128	142,557	183,934
Support Services:										
Tuition	1,600,218	1,286,201	1,220,975	877,851	787,721	589,171	576,643	681,191	753,046	713,191
Student & Instruction Related Services	3,003,374	3,200,759	3,143,015	2,999,437	2,897,008	3,149,632	3,050,538	3,128,537	3,068,436	3,185,758
General Administrative Services	435,111	467,189	440,404	450,366	444,795	380,993	420,241	611,344	767,811	603,288
School Administrative Services	865,336	869,784	931,968	922,709	941,330	961,379	987,302	1,028,167	1,057,516	1,098,689
Central Services	11,153	265,675	297,656	282,871	316,192	311,414	290,978	286,382	308,923	326,221
Administrative Information Technology	177,728	230,432	211,105	261,463	243,317	195,471	262,479	281,249	310,904	293,970
Plant Operations And Maintenance	1,531,256	1,638,086	1,629,247	1,645,934	1,576,614	1,576,355	1,943,730	1,912,041	1,940,526	2,122,614
Pupil Transportation	2,044,295	1,514,752	1,506,259	1,629,864	1,591,654	1,628,362	1,703,483	1,605,048	1,513,595	1,536,640
Business and Other Support Services	276,996									
Allocated Benefits		350,793	97,052	133,753						
Unallocated Benefits	6,070,151	5,587,819	6,030,002	6,369,015	6,835,880	7,317,034	7,069,087	7,626,778	8,450,982	9,114,694
Debt Service:										
Principal	441,000	390,000	460,000	445,000	455,000	475,000	490,000	495,000	490,000	490,000
Interest And Other Charges	241,182	221,699	133,417	154,138	140,787	126,000	109,375	91,000	71,200	51,600
Capital Outlay	1,917,122	1,455,381	1,152,529	2,315,661	853,868	1,914,659	2,449,574	1,358,269	1,217,779	2,720,202
Transfer to Charter Schools	60,122	41,710	64,283	110,403	130,412	104,099	104,689	146,064	124,953	85,768
Total Expenditures	28,892,498	28,901,631	29,225,386	30,578,615	28,705,317	30,282,137	31,763,935	31,886,948	32,330,337	35,373,478

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	\$ 109,602	\$ (14,565)	\$ 96,773	\$ (1,442,118)	\$ 1,017,216	\$ 728,038	\$ (546,556)	\$ 417,641	\$ 1,272,897	\$ (813,713)
Other Financing Sources/(Uses):										
Capital Leases (Non-Budgeted)			209,208	1,510,447	249,235	145,577	452,131	207,093	45,131	86,241
Capital Lease Purchase Agreement Proceeds			13	126,492			1,492,170	(434,182)	1,895,428	
Transfers In			(13)	(127,611)			(1,492,170)	434,182	(13,465)	
Transfers Out										(39,044)
Total Other Financing Sources/(Uses)			208,089	1,510,447	249,235	145,577	452,131	207,093	1,927,094	47,197
Net Change In Fund Balances	\$ 109,602	\$ (14,565)	\$ 304,862	\$ 68,329	\$ 1,266,451	\$ 873,615	\$ (94,425)	\$ 624,734	\$ 3,199,991	\$ (766,516)
Debt Service As A Percentage Of Noncapital Expenditures	2.53%	2.23%	2.11%	2.12%	2.14%	2.12%	2.04%	1.92%	1.80%	1.66%

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Other</u>	<u>Total</u>
2008	\$ 43,934	\$ 86,575	\$ 745	\$ 32,674	\$ 163,928
2009	14,386	21,923	4,257	13,386	53,952
2010	1,574			72,429	74,003
2011	4,608	48,781	12,319	111,662	177,370
2012	4,292	66,747	63,733	81,409	216,181
2013	8,913	120,205	21,559	125,209	275,886
2014	8,036	123,486	133,135	56,647	321,304
2015	6,034	237,466	75,239	31,681	350,420
2016	16,169	169,181	545,265	207,872	938,487
2017	44,354	118,287	9,724	269,326	441,691

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	\$ 51,305,900	\$ 1,819,429,300	\$ 4,842,400	\$ 86,900	\$ 299,050,900	\$ 70,322,400	\$ 8,173,600	\$ 2,253,211,400	\$ 199,178,400	\$ 4,840,446	\$ 2,258,051,846	\$ 1.03	\$ 3,208,196,204
2008	48,382,100	1,842,271,000	4,842,400	86,900	295,343,300	70,122,400	7,729,600	2,268,777,700	206,799,900	4,679,377	2,273,457,077	1.07	3,531,309,532
2009	45,790,100	1,857,498,100	4,554,400	82,600	297,466,700	70,122,400	7,729,600	2,283,243,900	207,717,200	5,460,388	2,288,704,288	1.08	3,565,499,240
2010	45,416,600	1,862,250,600	4,353,300	77,900	295,238,400	70,122,400	7,729,600	2,285,188,800	208,621,000	5,230,954	2,290,419,754	1.09	3,414,567,910
2011	43,509,600	1,858,092,500	4,331,100	78,700	297,471,200	69,428,400	7,579,600	2,280,491,100	209,403,400	-0-	2,280,491,100	1.12	3,397,561,201
2012	41,831,900	1,854,794,500	4,331,100	78,700	297,753,400	69,244,600	7,579,600	2,275,613,800	209,736,700	-0-	2,275,613,800	1.14	3,355,655,826
2013	38,102,700	1,839,357,500	4,302,100	77,200	298,019,500	65,894,200	7,579,600	2,253,332,800	209,606,600	-0-	2,253,332,800	1.18	3,228,291,771
2014	37,165,900	1,836,196,200	4,028,900	81,200	269,428,500	66,056,700	7,579,600	2,220,537,000	213,597,600	-0-	2,220,537,000	1.20	3,126,969,683
2015	35,800,700	1,841,849,600	4,049,500	81,200	269,647,900	64,280,400	7,579,600	2,223,288,900	213,333,200	-0-	2,223,288,900	1.22	3,250,387,268
2016	* 39,986,400	2,422,594,000	4,869,400	61,200	485,899,900	97,249,100	14,896,000	3,065,556,000	265,875,000	-0-	3,065,556,000	0.48	3,375,616,140

* A revaluation occurred in this year.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

Source: Municipal Tax Assessor

DENVILLE TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Denver Township School District				Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate		Total Direct	Township of Denver		Morris County	Morris Hills Regional School	
	Basic Rate ^a	General Obligation Debt Service ^b		\$	\$			
2007	1.01	0.02	1.03	0.46	0.35	0.61	2.45	
2008	1.05	0.02	1.07	0.50	0.36	0.66	2.59	
2009	1.06	0.02	1.08	0.53	0.35	0.68	2.64	
2010	1.07	0.02	1.09	0.55	0.34	0.70	2.68	
2011	1.10	0.02	1.12	0.55	0.35	0.75	2.77	
2012	1.12	0.02	1.14	0.57	0.36	0.81	2.88	
2013	1.16	0.02	1.18	0.58	0.36	0.85	2.97	
2014	1.18	0.02	1.20	0.62	0.36	0.88	3.06	
2015	1.21	0.02	1.22	0.63	0.36	0.91	3.12	
2016	*	0.01	0.48	0.92	0.28	0.71	2.39	

* A revaluation occurred in this year.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

DENVILLE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2017		2008		Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value			
Saint Clair's Hopsital		\$ 90,185,900	2.94%	\$ 47,650,000	St. Francis Life Care Corporation	\$ 47,650,000	2.16%
Shops at Union Hill		33,896,000	1.11%	21,100,000	Shoppes at Union Hill, LLC	21,100,000	0.95%
Springpoint at Denville Inc		33,311,200	1.09%	14,725,000	Tamara Enterprises	14,725,000	0.67%
Tamara Enterprises		18,345,000	0.60%	8,900,000	Individual Taxpayer #1	8,900,000	0.40%
Rockaway River Country Club		12,711,600	0.41%	8,448,600	Rockaway River Country Club	8,448,600	0.38%
Denville Hospitality LLC		10,710,000	0.35%	7,667,600	Roma Hotels Associates, LLC	7,667,600	0.35%
Pinefiled Manor LLC		9,758,000	0.32%	6,915,200	Now Realty Associates	6,915,200	0.31%
Denville West Main, LLC		9,571,000	0.31%	6,834,300	Regency at Denville, LLC	6,834,300	0.31%
Individual Taxpayer #1		8,905,000	0.29%	5,700,000	WP Properties, LLC	5,700,000	0.26%
Grecco Realty LLC		7,860,000	0.26%	5,351,000	Denville 53, LLC	5,351,000	0.24%
Total		\$ 235,253,700	7.67%	\$ 133,291,700	Total	\$ 133,291,700	6.03%

Note: A revaluation occurred in 2016.

Note: Individual taxpayers listed may be different in 2017 and 2008.

Source: Municipal Tax Assessor

DENVILLE TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 23,828,230	\$ 23,828,230	100.00%	-0-
2009	24,679,396	24,679,396	100.00%	-0-
2010	24,665,109	24,665,109	100.00%	-0-
2011	25,342,663	25,342,663	100.00%	-0-
2012	25,735,700	25,735,700	100.00%	-0-
2013	26,284,562	26,284,562	100.00%	-0-
2014	26,671,027	26,671,027	100.00%	-0-
2015	26,747,737	26,747,737	100.00%	-0-
2016	27,678,032	27,678,032	100.00%	-0-
2017	28,787,724	28,787,724	100.00%	-0-

a. School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Denville Township School District records including the Certificate & Report of School Taxes

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2008	\$ 4,982,000	\$ 305,063	\$ 5,287,063	0.45%	\$ 325
2009	4,600,000	122,983	4,722,983	0.43%	290
2010	4,140,000	890,929	5,030,929	0.44%	301
2011	3,695,000	1,443,889	5,138,889	0.43%	306
2012	3,240,000	1,158,274	4,398,274	0.35%	261
2013	2,765,000	821,106	3,586,106	0.28%	212
2014	2,275,000	779,018	3,054,018	0.22%	181
2015	1,780,000	431,696	2,211,696	0.15%	132
2016	1,290,000	2,103,019	3,393,019	0.23%	203
2017	800,000	1,970,425	2,770,425	0.19%	166

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 4,982,000	-0-	\$ 4,982,000	0.22%	\$ 306
2009	4,600,000	-0-	4,600,000	0.20%	282
2010	4,140,000	-0-	4,140,000	0.18%	248
2011	3,695,000	-0-	3,695,000	0.16%	220
2012	3,240,000	-0-	3,240,000	0.14%	192
2013	2,765,000	-0-	2,765,000	0.12%	164
2014	2,275,000	-0-	2,275,000	0.10%	135
2015	1,780,000	-0-	1,780,000	0.08%	106
2016	1,290,000	-0-	1,290,000	0.06%	77
2017	800,000	-0-	800,000	0.03%	48

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Township of Denville	\$ 11,104,771	100.00%	\$ 11,104,771
Morris County General Obligation Debt	221,180,986	3.58%	7,925,418
Morris Hills Regional School District Debt	19,007,583	37.30%	<u>7,089,828</u>
Subtotal, Overlapping Debt			26,120,018
Denville School District Direct Debt			<u>1,290,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 27,410,018</u></u>

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that that is borne by the residents and businesses of Township of Denville. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt, of each overlapping unit.

- ^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Denville Township's equalized property value that is within the Morris County's boundaries and dividing it by Morris County's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2017

	Denverville Township
Equalized Valuation Basis	\$ 3,279,370,988
2016	3,357,935,206
2015	3,235,990,965
2014	<u>\$ 9,873,297,159</u>
Average Equalized Valuation of Taxable Property	\$ 3,291,099,053
Debt Limit (3% of average equalization value)	<u>\$ 98,732,972</u>
Net Bonded School Debt as of June 30, 2017	800,000
Legal Debt Margin	<u>\$ 97,932,972</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 96,245,886	\$ 102,677,845	\$ 103,997,335	\$ 103,091,788	\$ 101,358,445	\$ 99,912,610	\$ 97,613,919	\$ 96,466,760	\$ 97,560,547	\$ 98,732,972
Total Net Debt Applicable to Limit	4,982,000	4,600,000	4,140,000	3,695,000	3,240,000	2,765,000	2,275,000	1,780,000	1,290,000	800,000
Legal Debt Margin	<u>\$ 91,263,886</u>	<u>\$ 98,077,845</u>	<u>\$ 99,857,335</u>	<u>\$ 99,396,788</u>	<u>\$ 98,118,445</u>	<u>\$ 97,147,610</u>	<u>\$ 95,338,919</u>	<u>\$ 94,686,760</u>	<u>\$ 96,270,547</u>	<u>\$ 97,932,972</u>
Total Net Debt Applicable to the Limit	5.18%	4.48%	3.98%	3.58%	3.20%	2.77%	2.33%	1.85%	1.32%	0.81%
As a Percentage of Debt Limit										

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,
 Department of Treasury, Division of Taxation

DENVILLE TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2008	16,259	\$ 1,169,623,683	\$ 71,937	3.60%
2009	16,309	1,104,086,682	67,698	6.30%
2010	16,691	1,145,937,296	68,656	6.30%
2011	16,784	1,207,004,576	71,914	6.10%
2012	16,859	1,261,491,534	74,826	6.40%
2013	16,889	1,267,587,006	75,054	7.40%
2014	16,829	1,393,609,490	82,810	4.90%
2015	16,818	1,456,136,076	86,582	4.10%
2016	16,735	1,448,949,770	86,582 *	3.80%
2017	16,735 **	1,448,949,770 ***	86,582 *	N/A

* - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

** - Latest population data available (2016) was used for calculation purposes.

*** - Latest personal income data available (2016) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income has been estimated based upon the municipal population and per capita personal income presented

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

DENVILLE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2017			2008		
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Aramament R&D	6,000	2.31%	Novartis	5,000	N/A	
Atlantic Health System	5,171	1.99%	Atlantic Health System	4,045	N/A	
Novartis Corporation	4,622	1.78%	Picatinny Arsenal	3,412	N/A	
Bayer Healthcare, LLC	2,800	1.08%	Morris County	2,170	N/A	
County of Morris	1,757	0.68%	Lucent Technologies	1,983	N/A	
Wyndham Worldwide Corporation	1,626	0.63%	United Parcel Service	1,941	N/A	
Accenture	1,561	0.60%	Wyndham Worldwide	1,371	N/A	
St. Clare's	1,504	0.58%	Greystone Psychiatric	1,296	N/A	
BASF Corporation	1,500	0.58%	Tiffany & Company	1,200	N/A	
PricewaterhouseCoopers	1,360	0.52%	Accenture	1,200	N/A	
Total	27,901	10.74%		23,618		
Total County Labor Force	259,756			N/A		

N/A - Total amount of Employment is not available in order to do the percentage calculation

Source: Morris County Treasurer's Office

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction:										
Regular	125.0	126.5	126.5	128.0	125.6	123.4	111.8	118.0	123.0	121.0
Special Education	50.0	63.0	63.0	65.0	67.4	68.2	100.1	99.6	98.5	58.0
Support Services:										
Student & Instruction Related Services	40.5	36.0	36.0	36.0	44.2	26.7	23.7	23.0	35.0	89.0
School Administrative Services	18.0	18.5	18.5	18.5	14.8	15.9	15.1	8.0	17.0	17.0
General and Business Administrative Services	6.0	6.0	6.0	6.0	8.0	6.0	6.0	5.5	8.0	8.0
Plant Operations and Maintenance	15.0	15.0	15.0	15.0	26.4	22.6	20.0	20.0	17.5	18.0
Pupil Transportation	21.0	25.0	25.0	25.0	24.3	27.5	20.0	20.0	20.5	42.0
Total	<u>275.5</u>	<u>290.0</u>	<u>290.0</u>	<u>293.5</u>	<u>310.7</u>	<u>290.3</u>	<u>296.7</u>	<u>294.1</u>	<u>319.5</u>	<u>353.0</u>

Source: District Personnel Records

DENVILLE TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2008	1,895	\$ 26,293,194	\$ 13,875	-5.88%	215	1:14.6	1:12.9	1,986	1,822	6.55%	91.74%
2009	1,892	26,834,551	14,183	2.22%	226	1:14.2	1:13.5	1,892	1,814	-4.73%	95.88%
2010	1,904	27,479,440	14,432	1.76%	225	1:13.3	1:13.6	1,904	1,832	0.64%	96.19%
2011	1,856	27,663,816	14,905	3.27%	216	1:13.3	1:13.6	1,856	1,832	-2.53%	98.69%
2012	1,827	27,255,662	14,918	0.09%	179	1:11.1	1:11.9	1,792	1,733	-3.45%	96.71%
2013	1,750	27,766,478	15,867	6.36%	176	1:11.8	1:7.9	1,758	1,693	-1.90%	96.30%
2014	1,730	28,714,986	16,598	4.61%	177	1:9.4	1:10.5	1,725	1,666	-1.88%	96.58%
2015	1,687	29,942,679	17,749	6.93%	175	1:9.5	1:10.0	1,680	1,621	-2.61%	96.49%
2016	1,646	30,551,358	18,561	4.57%	169	1:9.9	1:9.5	1,636	1,581	-2.62%	96.64%
2017	1,650	32,111,676	19,462	4.85%	174	1:9.8	1:9.0	1,634	1,478	-0.12%	90.45%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The cost per pupil calculated above is the sum of operating enrollment divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

<u>District Building</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lakeview Elementary School (1958)										
Square Feet	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138
Capacity (students)	683	683	683	683	683	683	683	683	683	683
Enrollment	781	752	690	728	713	695	677	682	675	705
Riverview Elementary School (1958)										
Square Feet	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855
Capacity (students)	388	388	388	388	388	388	388	388	388	388
Enrollment	541	488	459	459	400	393	402	388	373	372
Valleyview Middle School (1965)										
Square Feet	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247
Capacity (students)	465	465	465	465	465	465	465	465	465	465
Enrollment	664	653	673	669	680	662	651	617	598	573
Administration Building (1908)										
Square Feet	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Bus Garage (1964)										
Square Feet	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820

Number of Schools at June 30, 2017
 Elementary = 2
 Middle School = 1
 Other = 2

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October district count.

Source: Denville Township School District Facilities Office

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS

Undistributed Expenditures - Required Maintenance For School Facilities

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>School Facilities*</u>										
Lakeview Elementary	\$ 104,504	\$ 111,774	\$ 101,813	\$ 140,145	\$ 124,854	\$ 112,063	\$ 164,811	\$ 168,096	\$ 145,561	\$ 204,663
Riverview Elementary	60,490	98,160	125,922	75,601	68,259	73,159	107,591	109,736	95,025	133,608
Valleyview Middle	97,063	124,403	131,012	114,193	94,879	107,194	157,658	160,801	139,244	195,781
Total School Facilities	262,057	334,337	358,747	329,939	287,992	292,416	430,060	438,633	379,829	534,051
<u>Other Facilities</u>										
Administration Building	1,799	2,135	1,959	1,545	2,469	1,662	2,442	2,491	2,157	3,033
Bus Garage	2,671	3,168	2,908	2,293	2,840	2,467	3,620	3,692	3,197	4,495
Total Other Facilities	4,470	5,303	4,867	3,838	5,309	4,129	6,062	6,183	5,354	7,528
Grand Total	\$ 266,527	\$ 339,640	\$ 363,614	\$ 333,777	\$ 293,301	\$ 296,545	\$ 436,122	\$ 444,816	\$ 385,183	\$ 541,579

* School facilities as defined under EFCA. (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Zurich Insurance Company		
Property - Blanket Building and Contents	\$ 47,255,755	\$ 5,000
Commercial General Liability:		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Abuse or Molestation Liability:		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Commercial Automotive Liability	1,000,000	1,000*
Commercial Inland Marine	1,361,712	
Commercial Umbrella Liability:		
Per Occurrence	9,000,000	
Aggregate	9,000,000	
Excess Liability-Fireman's Fund	50,000,000	PIP Cap Excess
Employee Benefits Liability:		
Per Occurrence	1,000,000	1,000
Aggregate	1,000,000	
NJ Schools Insurance Group	Statutory	
Workers Compensation		
Employer's Liability	2,000,000 / 2,000,000 / 2,000,000	
School Board Legal Liability - Darwin Ins. Co.		
Per Occurrence	1,000,000	
Aggregate	2,000,000	25,000
Public Official Bonds - Selective Insurance Company:		
Treasurer of School Monies	350,000	
Board Secretary/Business Administrator	350,000	
Blanket Employee Bond	10,000	
Employee Theft	50,000	5,000
Cyber Liability Indian Harbo Ins. Co.	2,000,000	25,000 retention
Education Entity- Pollution Liability	1,000,000/10,000,000	25,000 pollution condition 50,000 per fungi or Legionella condition

* comprehensive and collision deductibles on auto coverage

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Denville Township School District
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Denville Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education
Denville Township School District
Page 2

Compliance and Other Matters

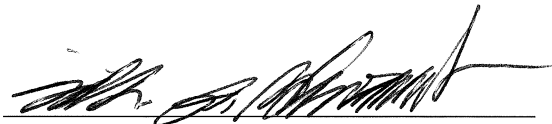
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
September 8, 2017

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

Report on Compliance For Each Major State Program:
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Denville Township School District
County of Morris, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Denville Township School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

The Honorable President and Members
of the Board of Education
Denville Township School District
Page 2

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

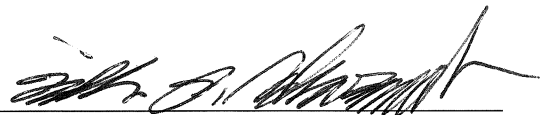
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
September 8, 2017

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016 (Accounts Receivable)	Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2017		Amount Provided to Subrecipients
			From	To						(Accounts Receivable)	Unearned Revenue	
U.S. Department of Agriculture -												
Passed-through State Department of Education:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/16	6/30/17	\$ 19,441	\$ (3,230)	\$ 15,648	\$ (19,441)		\$ (3,793)		
Special Milk Program	10.556	N/A	7/1/15	6/30/16	19,450		3,230					
Total Enterprise Fund						(3,230)	18,878	(19,441)		(3,793)		
Total U.S. Department of Agriculture						(3,230)	18,878	(19,441)		(3,793)		
U.S. Department of Health and Human Services -												
Passed-through State Department of Human Services:												
General Fund:												
Medical Assistance Program - (SEMI)	93.778	N/A	7/1/16	6/30/17	4,567		4,567	(4,567)				
Total General Fund							4,567	(4,567)				
Special Revenue Fund:												
No Child Left Behind:												
Title I	84.010A	NCLB-1090-17	7/1/16	6/30/17	64,689		64,506	(64,506)				
Title I	84.010A	NCLB-1090-16	7/1/15	6/30/16	54,476	(1,874)	1,874					
Title II A	84.367A	NCLB-1090-17	7/1/16	6/30/17	37,020		34,867	(35,503)		(636)		
Title II A	84.367A	NCLB-1090-16	7/1/15	6/30/16	43,613	(235)	235					
Title III	84.365A	NCLB-1090-17	7/1/16	6/30/17	1,437			(1,158)	\$ (225)	(1,383)		
Title III	84.365A	NCLB-1090-16	7/1/15	6/30/16	5,667	386	2			\$ 388		
Title III Immigrant	84.365A	NCLB-1090-16	7/1/15	6/30/16	6,733	1,048			133	1,181		
No Child Left Behind Subtotal						(675)	101,484	(101,167)	(92)	(2,019)		1,569
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-17	7/1/16	6/30/17	392,528		364,062	(365,607)		(1,545)		
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-16	7/1/15	6/30/16	418,561	(2,819)	2,819					
I.D.E.A. Part B, Preschool	84.173	IDEA-1090-17	7/1/16	6/30/17	21,614		21,614	(21,614)				
Special Education Cluster Total						(2,819)	388,495	(387,221)		(1,545)		
Total Special Revenue Fund						(3,494)	489,979	(488,388)	(184)	(3,564)		1,569
Total U.S. Department of Education						(3,494)	494,546	(488,388)	(184)	(3,564)		1,569
TOTAL FEDERAL AWARDS						(6,724)	\$ 513,424	\$ (512,396)	\$ (184)	\$ (7,357)	\$ 1,569	\$ -0-

N/A - Not Available/Applicable.

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DENVERVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Balance at July 1, 2016			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO Cumulative Total Expenditures
		From	To	Program or Award Amount	Budgetary (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)		
State Department of Education:												
General Fund:												
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	\$1,026,841	\$ (98,747)	\$ 98,747	\$ (1,014,243)	\$ (19,430)	\$ (97,865)	\$ 1,026,841		
Categorical Security Aid	16-495-034-5120-084	7/1/15	6/30/16	25,734	(2,475)	2,475	(242,152)		(242,152)	25,734		
Categorical Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	108,847	(10,467)	10,467	(11,484)		(11,484)	108,847		
PARCC Readiness	16-495-034-5120-098	7/1/15	6/30/16	16,820	(1,618)	1,618	(29,235)		(29,235)	16,820		
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	16,820	(1,618)	1,618	(123,304)		(123,304)	16,820		
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15	6/30/16	196,928	(196,928)	196,928	(16,820)		(16,820)	196,928		
Additional Non-Public Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	18,444	(18,444)	18,444	(43,531)		(43,531)	18,444		
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15	6/30/16	836,413			(43,531)		(43,531)	836,413		
Special Education Categorical Aid	17-495-034-5120-089	7/1/16	6/30/17	1,014,243			(242,152)		(242,152)	1,014,243		
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16	6/30/17	242,152			(11,484)		(11,484)	242,152		
Additional Non-Public Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	11,484			(29,235)		(29,235)	11,484		
Categorical Security Aid	17-495-034-5120-084	7/1/16	6/30/17	29,235			(16,820)		(16,820)	29,235		
Categorical Transportation Aid	17-495-034-5120-084	7/1/16	6/30/17	123,304			(15,197)		(15,197)	123,304		
PARCC Readiness	17-495-034-5120-098	7/1/16	6/30/17	16,820			(857,013)		(857,013)	16,820		
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	16,820			(1,037,347)		(1,037,347)	16,820		
Professional Learning Communication Aid	17-495-034-5120-101	7/1/16	6/30/17	15,790			(1,201,443)		(1,201,443)	15,790		
Reimbursed TPAF Social Security Contributions	17-100-034-5095-002	7/1/16	6/30/17	857,013			(42,191)		(42,191)	857,013		
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16	6/30/17	1,037,347						1,037,347		
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16	6/30/17	1,201,443						1,201,443		
On-Behalf TPAF Non-Contributions	17-495-034-5094-004	7/1/16	6/30/17	43,531						43,531		
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16	6/30/17	3,268						3,268		
Total General Fund State Aid				(330,297)	19,430	4,529,566	(4,612,450)	(19,430)	(413,181)	6,859,297		
Special Revenue Fund:												
NJ Nonpublic Aid:												
Textbook Aid (Chapter 194)	17-100-034-5120-064	7/1/16	6/30/17	11,586			(11,586)			11,586		
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	11,535				(1,053)		11,535		
Nursing Services (Chapter 226)	17-100-034-5120-070	7/1/16	6/30/17	18,090		1,053	(18,090)			18,090		
Nursing Services (Chapter 226)	16-100-034-5120-070	7/1/15	6/30/16	18,180				(1,440)		18,180		
Technology Initiative	17-100-034-5120-373	7/1/16	6/30/17	5,226			(5,226)			5,226		
Technology Initiative	16-100-034-5120-373	7/1/15	6/30/16	5,252				(416)		5,252		
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	10,050			(10,050)			10,050		
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	5,050				(442)		5,050		
Auxiliary Services (Chapter 192):												
Compensatory Education	17-100-034-5120-067	7/1/16	6/30/17	14,512			(14,512)			14,512		
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	11,844				(3,384)		11,844		
Handicapped Services (Chapter 193):												
Supplementary Instruction	15-100-034-5120-066	7/1/16	6/30/17	10,201			(6,984)			10,201		
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	13,366				(6,089)		13,366		
Examination and Classification	17-100-034-5120-066	7/1/16	6/30/17	15,487		6,089	(11,707)			15,487		
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	19,598				(10,395)		19,598		
Corrective Speech	15-100-034-5120-066	7/1/16	6/30/17	7,952			(5,478)			7,952		
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	10,033				(4,766)		10,033		
Total Special Revenue Fund				27,985	93,104	(83,633)	9,471	(27,985)	(413,181)	83,633		

DENVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at July 1, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor		Budgetary (Accounts Receivable)
State Department of Education:													
Debt Service Fund:													
Debt Service Aid Type II	17-100-034-5120-124	7/1/16	6/30/17	\$ 144,424	\$ 144,424	\$ 144,424	\$ (144,424)					\$ 144,424	
Total Debt Service Fund						144,424	(144,424)					144,424	
Total State Department of Education					\$ (330,297)	\$ 47,415	4,767,094	(4,840,507)	\$ (47,415)	\$ (295,827)	\$ 9,471	\$ (413,181)	7,087,354
Total State Awards Subject to Single Audit Determination					\$ (330,297)	\$ 47,415	4,767,094	(4,840,507)	\$ (47,415)	\$ (295,827)	\$ 9,471	\$ (413,181)	\$ 7,087,354
Less: State Awards Not Subject to Single Audit Major Program Determination													
On-Behalf TPAF Pension System Contributions:													
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16	6/30/17	(1,037,347)			1,037,347						
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16	6/30/17	(1,201,443)			1,201,443						
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16	6/30/17	(43,531)			43,531						
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16	6/30/17	(3,268)			3,268						
Subtotal - On-Behalf TPAF Pension System Contributions							2,285,589						
Total State Awards Subject to Single Audit Major Program Determination							\$ (2,554,918)						

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Denville Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and the special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$2,429 for the general fund, and \$5,676 for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal Sources</u>	<u>State Sources</u>	<u>Total</u>
General Fund	\$ 4,567	\$ 4,610,021	\$ 4,614,588
Special Revenue Fund	482,712	83,633	566,345
Debt Service Fund		144,424	144,424
Proprietary Fund	19,441		19,441
Total Financial Assistance	<u>\$ 506,720</u>	<u>\$ 4,838,078</u>	<u>\$ 5,344,798</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017.

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education				
Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 1,014,243	\$ 1,014,243
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	29,235	29,235
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	16,820	16,820
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	16,820	16,820
Professional Learning				
Communication Aid	17-495-034-5120-101	7/1/16-6/30/17	15,790	15,790
Reimbursed TPAF Social Security Contributions	17-100-034-5095-002	7/1/16-6/30/17	857,013	857,013

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 15-08.

DENVILLE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.